





The Group offers concierge service at selected residential developments.

CUSTOMER SERVICE

Friendly, well-trained staff ensure that the Group's residents, commercial tenants and retail customers always receive the finest service. Constant efforts to raise service standards to new heights help set the Group apart in today's competitive marketplace.



REVIEW OF OPERATIONS - CUSTOMER SERVICE



Thomas Kwok, Vice Chairman & Managing Director (left) listens to residents of the Group's developments.

Customer service is a keystone of the Group's success, so it is always looking for new ways to raise service quality in all aspects of operations to maximize customer satisfaction.

The Group has had Customer Care Ambassadors in its shopping malls since 1997 as part of a drive to lift service to new heights. The Ambassadors make shopping more enjoyable for mall visitors, boosting traffic and stimulating business for retail tenants. The Ambassadors also took on the role of shopping guides for Mainland shoppers after the introduction of the Individual Visit Scheme, adding a new dimension to premium service. Only the top recruits are chosen for the programme, and they receive extensive training in all aspects of the job to ensure complete customer satisfaction. The Group's Customer Care Ambassador programme won an Excellence in Training Merit Award from the Hong Kong Management Association during the year under review. The Group also helps retail tenants improve their business with the ongoing Tenant Care Programme, which includes a variety of seminars on sales and marketing.



The Group's Customer Care Ambassadors act as shopping guides for local and Mainland shoppers.

The Group's member property management companies Hong Yip and Kai Shing won a number of awards for quality service during the year. The two companies won eight of the Hong Kong Housing Authority's 2003 Best Property Management Awards. Hong Yip was named Best Property Management Agent for the tenth consecutive year, and it was the first property manager to be certified by the Q-Mark Council.

Taking possession of a new property is a major step for customers, so the Group has an inter-departmental property handover team working to achieve ever-increasing levels of service and quality standards. Team members accompany owners during the handover and follow up on any matters that need further attention. The handover team won an Excellence in Training

Merit Award from the Hong Kong Management Association during the year under review, in recognition of the Group's efforts to raise handover quality.

The Group's SHKP Club was established to facilitate two-way communication and offer a variety of high-quality property-related services. Membership now exceeds 190,000. The Club listens to members' views on the Group's developments and shopping centres through different channels, including Opinion Ambassadors and the Internet. Departments within the Group use this information to improve their service, which ensures that the Group stays current with market trends. The Club revamped its Internet site during the year under review, adding new content and the most up-to-date information to enhance communications with members. The Club's property-related privileges include its Show Flat Preview Loyalty Scheme and other buyer incentive programmes to complement the Group's property sales.

Always maintaining a high degree of transparency is important for the Group, and it uses the Internet among other channels to disseminate its latest corporate information to the public. The Group plans to completely overhaul its Internet site in the coming months, adding a search function to ease navigation, making it more user-friendly and adding content. There will also be a new section on corporate governance, explaining the Group's efforts to increase transparency.

The Group listens closely to its customers and the public. Senior executives make regular visits to customers' homes to listen to their views, and the SHKP Forum in the Group's Internet site provides a convenient channel for members of the public to voice their opinions about the Group. A special team monitors the Forum and follows up on the issues raised, and the Group has acted upon many of the suggestions made.



SHKP Club membership rose to over 190,000 in its eighth year.



The Group's well-trained handover team assists buyers taking possession of their new homes in YOHO Town, Yuen Long.



Chairman & Chief Executive Walter Kwok (middle), Vice Chairmen & Managing Directors Thomas Kwok (right) and Raymond Kwok (left) at the annual general meeting.

Maintaining high standards of business ethics and corporate governance practices has always been one of the Group's highest priorities. Conducting its business in a socially responsible and honest manner serves both the Group's and shareholders' long-term interests.

BOARD OF DIRECTORS

The board of directors supervises the Group's management. The board currently has 16 directors, who are identified in the Directors' Report. There are eight non-executive directors on the board and three of them are independent. The board considers this a reasonable balance. Non-executive directors offer the Group a wide range of expertise and experience and play an important role on the board, ensuring that all shareholders' interests are taken into account. Their active participation ensures that management processes are critically reviewed and controlled.

The full board meets in person at least twice every year, while additional meetings can be held to discuss significant events or important issues like notifiable or connected transactions. The directors had near full attendance for the year.

The directors have relevant and timely information before them whenever needed, as well as unrestricted access to the advice and assistance of the company secretary, who is responsible for ensuring that proper board procedures and all applicable laws and regulations are complied with. The directors can retain independent professional advisors at the Group's expense if they consider it necessary and appropriate.

Newly appointed directors receive briefings and an orientation to ensure that they are familiar with the role of the board, as well as their own legal and other responsibilities as a director. The company secretary keeps the directors up to date with the latest developments in the listing rules and other regulatory requirements to ensure compliance.

The Company's articles of association provide that one third of the directors must retire from office by rotation, then stand for re-election (if desired) by the shareholders at the next annual general meeting.

AUDIT COMMITTEE

The audit committee is chaired by Chung Sze-yuen, an independent non-executive director. The other members are non-executive directors Kwan Cheuk-yin, William and Lo Chiu-chun, Clement. The committee meets at least twice annually and attendance for the year was 100 per cent. The audit committee is authorized by the board to investigate any activity within its terms of reference, and it may obtain independent professional advice if necessary. The audit committee is responsible for the following:

- Reviewing the financial statements and auditors' report to ensure that they present a true and balanced assessment of the Group's financial position

- Considering terms of appointment, dismissal and replacement of the Group’s auditors
- Meeting with the auditors to discuss audit issues if considered necessary
- Reviewing the Group’s internal controls
- Making recommendations on the application of accounting policies

SHAREHOLDER MEETINGS

The Group is committed to fair disclosure and comprehensive and transparent reporting of its activities. The board and senior management maintain a constant dialogue with shareholders and investors through various channels, including the company’s annual general meeting. The Group has a designated non-executive director to deal with shareholders’ concerns throughout the year.

Procedures for the annual general meeting are reviewed periodically to ensure that the company follows best corporate governance practice. A circular is sent to all shareholders at least 21 days prior to the meeting setting out details of each resolution proposed, voting procedures and other relevant information. The Chairman, board members and external auditor attend the annual general meeting to answer shareholders’ questions. Vote results are posted on the company’s Internet site www.shkp.com as soon as possible after the meeting.

COMMITMENT TO CORPORATE GOVERNANCE

The Group firmly believes that its commitment to good corporate governance has allowed it to grow from a firm foundation and provide quality products and services to the community, while maximizing shareholder returns.



Raymond Kwok, Vice Chairman & Managing Director (left), receives the Best Property Company in Asia award from Euromoney magazine.

The Group also maintains high transparency with the timely release of information to shareholders and investors. Details of the Group’s recognition for good management and corporate governance can be found under the Investor Relations section on page 68.



Directors hold analysts briefings after results announcements. The briefings are web-cast on the Group’s Internet site to enhance transparency.

INVESTOR RELATIONS



Michael Wong, Executive Director (middle), receives the Asia's Best Property Company award from FinanceAsia magazine.

The Group is committed to maintaining high transparency and it has a policy of prompt disclosure of important information about corporate strategy and new business developments to shareholders and analysts.

Communication channels include annual and interim reports, press releases and periodicals such as the SHKP Quarterly, all of which can be found on the Group's Internet site www.shkp.com. The Group also holds press conferences, analysts briefings and investor meetings immediately after results are announced, with directors and senior management present to answer questions. The post-results analysts briefings are also webcast to enable timely dissemination of information to enhance transparency.

Senior management regularly meets with analysts to strengthen investor relations and update them about the latest developments of the Group. The year under review saw the Group participate in various events, including the CSFB Asian Investment Conference and CLSA Investors' Forum both held in Hong Kong, Morgan Stanley's Asia Pacific Summit in Singapore and Merrill Lynch's Hong Kong and China Promotion Event in London. It also staged non-deal road shows overseas and hosted tours of Park Island Phase 3 and Two IFC, to keep investors and analysts informed.

Major Investor Relations Activities in 2003/04

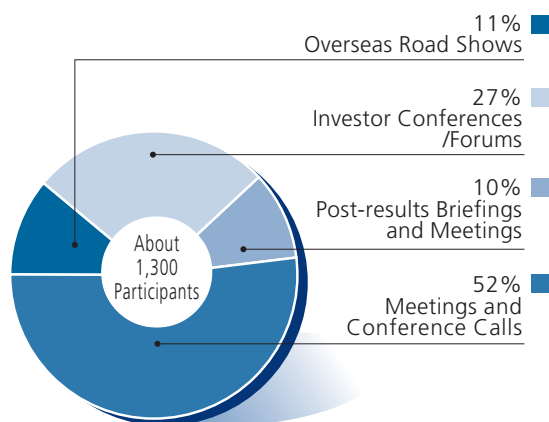
Date	Activity
Jul 2003	Analysts and fund managers visit to newly-completed Two IFC
Sep 2003	2002/03 Final results announcement <ul style="list-style-type: none">• Press conference• Analysts briefing• Post-results meetings with fund managers
Oct 2003	US road show
Nov 2003	Europe road show
Mar 2004	2003/04 interim results announcement <ul style="list-style-type: none">• Press conference• Analysts briefing• Post-results meetings with fund managers
Jun 2004	Preview of Park Island Phase 3 show flats for analysts and fund managers

The Group's commitment to good corporate governance and quality management earned it the title of Euromoney magazine's Best Property Company in Asia for the fourth consecutive year in 2003. The number one ranking was based on the Group's market strength, profitability, management quality and high standard of corporate governance. Euromoney also named the Group Hong Kong's Best Property Developer for corporate governance in 2003. The leading regional magazine FinanceAsia named the Group Asia's Best Property Company in 2004 for the second year in a row, in recognition of its seasoned management, good corporate governance and investor relations.



The Group organizes analysts tours to its new property developments, Park Island in Ma Wan (above) and Two IFC in Central (below), to strengthen investor relations.

Communication with the Investment Community in 2003/04



Michael Wong, Executive Director, makes a presentation of the property market and the Group's business update at a seminar for fund managers.

CORPORATE CITIZENSHIP - STAFF DEVELOPMENT AND PERSONAL GROWTH

Good corporate citizenship includes facilitating staff development and personal growth, and these objectives have long been among the Group's management objectives. The Group recognizes that staff are one of its most important assets, so it has a wide range of initiatives in place to ensure that it attracts and retains the best people. The Group has over 21,000 valued employees (excluding associated companies).

The Group is committed to providing its staff with a progressive and rewarding employment experience through rewards and recognition, career development, performance management, team building, employee communications, training and personal development. It has a well-established human resources management system in place to build a high-quality workforce by creating an environment that enables employees to achieve their full potential and attain job satisfaction.

As an equal-opportunity employer, the Group provides a fair and supportive working environment, with an emphasis on benefits and prospects for employees. Vacancies are advertised to existing staff and filled through internal recruitment wherever possible.

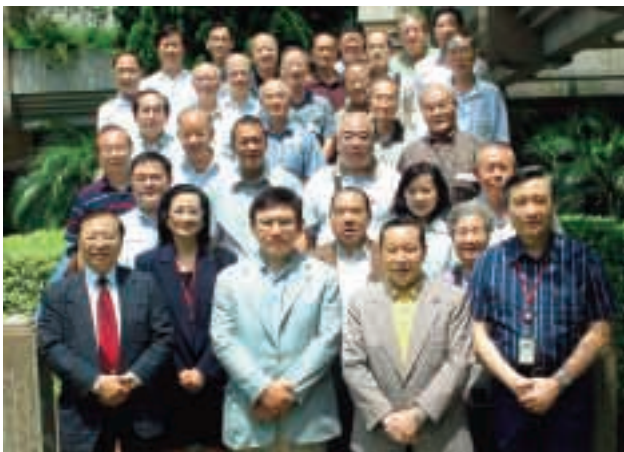
The Group's corporate culture includes making all staff feel that they are part of a team working towards a common goal. The Group has an on-going scheme



The Group holds regular seminars to enhance employees' management and professional skills.

that offers incentives to staff members who suggest ways to improve quality and efficiency in the workplace, encouraging greater participation and team spirit. Hundreds of constructive suggestions have been received to date, and regular prizes are given out to recognize outstanding proposals. The suggestions have resulted in continuous improvements to areas including product quality, customer service, environmental protection, property management and cost effectiveness on construction sites.

Open communication between staff at all levels promotes a sense of belonging. The Group's values, goals, and business activities are explained through various channels like internal publications, inspirational posters, regular updates via e-mail and the company intranet, seminars, executive luncheons and informal briefings. The Group also maintains ties with employees after they retire. The SHKP Evergreen Club was formed in June 2004 to give retired staff a way to keep in touch with the Group and to continue contributing suggestions for improvements.



The Evergreen Club demonstrates the Group's commitment to maintaining long-term employee relations.



A fun trip to Zhongshan, Zhuhai and Shunde for staff.

Regular seminars and workshops are held as part of the Group's commitment to staff development, to ensure that people have the professional skills and knowledge required to advance in their careers, at the same time as they offer customers the best products and services. More than 10,000 participants from all staff grades took advantage of the over 300 courses the Group organized during the year. Topics included management skills and business strategies, customer service, language and communication, technical skills, personal development and quality management.

The Group also stages service excellence programmes for frontline and supervisory staff in property management, as well as service enhancement programmes for its sales, leasing and office management teams. Construction and project monitoring staff receive training in technical skills and quality appreciation, while workers on construction sites get regular safety training to reduce industrial accidents and maintain safe working environments.

Management personnel have the benefit of a wide range of learning opportunities, and they are encouraged to create a workplace culture of mutual respect and teamwork. The courses on offer include topics like leadership and staff development, accounting and finance, strategic planning, quality management, supervisory skills, corporate strategies and market trends. All grades of staff can apply for Group sponsorship for job-related courses offered by

external institutions, ranging from short seminars to full degree programmes at prestigious schools like Harvard University and the Chinese-European Institute of Business.

Other initiatives are in place to groom promising staff, including trainee schemes for university graduates. Special programmes are offered for management trainees and engineers in different specializations. Participants in the schemes go through a rigorous selection process to qualify for training leading to accreditation in their respective fields.

Independent study and life-long learning are strongly encouraged. The Group's Training Library offers staff access to a wide range of reading and self-learning material, structured e-learning programmes on the Internet and other reference material on the Group's intranet. It also has a Readers' Club to promote a reading culture.

As a caring employer, the Group stages various activities for employees outside the workplace and some are open to their families. Interest classes, recreation and sports are offered to ensure a healthy and happy workforce. These programmes also give staff the opportunity to get to know their colleagues from different sections, enhancing inter-departmental understanding and communication, and strengthening team spirit.



The Group offers exercise classes for staff, to improve fitness and relieve work pressure.

CORPORATE CITIZENSHIP - ENVIRONMENTAL PROTECTION AND PROMOTION



Kai Shing Managing Director Jimmy Wong (left) and Hong Yip Director and General Manager Alkin Kwong (right) accept gold medals in the 2003 Hong Kong Eco-Business Awards from Secretary for Environment, Transport and Works Dr. Sarah Liao (middle).



Recycling programmes in estates managed by the Group's subsidiaries are well received.



Second-hand items collected from estates managed by the Group are reconditioned and sold to raise funds for charity.

Concern for the environment remains a high priority for the Group, and environmental considerations play a part in all aspects of its operations. New developments are planned with the environment in mind. Architectural features make maximum use of natural light to reduce electricity consumption, and installations incorporate energy and water saving fixtures and facilities. Environmentally-friendly materials and construction techniques are also used, and the Group pays special attention to the impact of its projects on neighbouring residents.

This concern does not end when a new property is handed over to owners. The Group and its member property management companies Hong Yip and Kai Shing won numerous environmental awards during the year under review. These include gold medals and certificates of merit for Green Property Management, multiple Most Environmentally-Friendly Property Management Agent honours in the Hong Kong Housing Authority's Best Property Management Awards 2003 and gold medals in the 2003 Hong Kong Eco-Business Awards.

The Group's management companies practice conservation in the estates they oversee, to save energy and money for residential tenants and commercial occupants. The techniques include reducing the number of light bulbs used while maintaining sufficient brightness levels, adjusting exterior lights on buildings and reducing the time podium lights are left on, using high-efficiency lights and more. Sun Hung Kai Centre was certified under the Electrical and Mechanical Services Department's Energy Efficiency Scheme for Buildings during the year.

Kai Shing merged environmental protection with community work when it joined the Social Welfare Department to start a Social Recycling Scheme in eight of the estates it manages. Second-hand items are collected from the estates and sent to sheltered workshops, where they are reconditioned and packaged by disabled people for sale at non-governmental organization retail outlets or distribution to the needy by unemployed young people. The profits go to the non-governmental organizations.

The Group ensures that its residents enjoy natural living environments. It is the only Hong Kong developer with its own fully-integrated landscaping section, with landscape architects and designers involved in the development process from the earliest stages to create green living spaces. A total of 23 projects developed or managed by the Group won honours in the Leisure and Cultural Services Department's Best Landscape Awards for Private Property Developments. Hong Yip and Kai Shing also won a number of the Civil Engineering Department's Best Landscaped Slope Awards during the year under review.



The Group promotes environmental protection in the estates overseen by its member property management companies. Young residents enjoy a day working in the garden at one of the Group's estates.



23 projects developed or managed by the Group won honours in the Leisure and Cultural Services Department's Best Landscape Awards, including The Leighton Hill in Causeway Bay (left) and Palm Springs in Yuen Long (right).

CORPORATE CITIZENSHIP - THE GROUP AND THE COMMUNITY



The SHKP – Kwoks' Foundation is offering scholarship to 300 students at Guangzhou's Sun Yat Sen University over ten years. Shown: Walter Kwok, Chairman & Chief Executive (left) and Huang Daren, President of Sun Yat Sen University.



Thomas Kwok, Vice Chairman & Managing Director (middle) leads staff at the Community Chest's Corporate Challenge Charity Marathon.



The Group supports charities for the elderly, such as this fundraising walk for The Hong Kong Society for The Aged.

Hong Kong is the Group's home, and it supports a wide variety of charitable causes to give something back to the community that has contributed so much to its success. This support takes the form of both monetary contributions and participation in various initiatives to help the less fortunate in society. The Group donated a total of HK\$40 million to charitable organizations during the year under review.

The Community Chest has been a beneficiary of the Group's support for many years. The Group was a sponsor of the Community Chest's charity marathon again this year, and it encouraged its staff to join the event, setting a new record. The Group received the highest fund-raising honour in the Chest's Corporate Challenge, for the ninth consecutive year. The Group helped the Hong Chi Association organize a charity stair climb at Central Plaza, to raise funds to assist the mentally handicapped. The Group also took part in the Modern Apprenticeship Mentorship programme organized by Breakthrough to create jobs for young people. The Group continues to support the SHKP Fund for the Elderly, which helps needy seniors, and it provides office space to the mobile charity eye hospital ORBIS at a nominal rent.

This support for charity is not limited to monetary donations; the Group also encourages its staff to contribute to the community. The SHKP Volunteer Team set up last year now has over 800 members, who put in over 8,000 hours of community service during the year under review. Beneficiaries of the Team's efforts included the visually impaired, elderly people and many more. The Volunteer Team set up an Elderly Squad with The Hong Kong Society for The Aged in mid 2004, to help take care of seniors.

Education is another priority for the Group. It continued to fund scholarships for MBA students at The Chinese University of Hong Kong, and maintained its support for the American Field Service student



The SHKP Volunteer Team has more than 800 members, who performed more than 8,000 hours of community service during the year. Shown: Raymond Kwok, Vice Chairman and head of the Volunteer Team (sixth left), at the Team's Recognition Day Ceremony.

exchange programme, enabling young people from Hong Kong to study overseas. The Group also provided funds to allow local teachers to do further studies at the Hong Kong Institute of Education. On the Mainland, the Sun Hung Kai Properties Award Scheme at Beijing's Tsinghua University was in its eighth year, rewarding distinguished scholars at the university. The Sun Hung Kai Properties – Kwoks' Foundation set up a scholarship programme at Sun Yat Sen University, which will benefit 300 students over ten years. The Group also donated money to The Academy of Chinese Studies for the promotion of Chinese culture.

The Group took part in programmes to support tourism and district celebrations at the local level. Four of the Group's buildings ringing Victoria Harbour were part of the Symphony of Lights show. The Group also contributed HK\$1 million to the Hong Kong Shopping Festival and donated money to the district festivals of light in Shatin and Tsuen Wan.

The Group and members Hong Yip and Kai Shing were again designated Caring Companies by the Hong Kong Council of Social Services, in recognition of their contributions to the community.



Distinguished scholars from Beijing's Tsinghua University receive Sun Hung Kai Properties Awards in recognition of their excellent teaching.



The Group supports an array of tourism initiatives such as the Symphony of Lights.