



Customer Service

Exceptional customer service complements premium developments with comprehensive clubhouse facilities, to create comfortable living environments where residents can enjoy a carefree life.



Customer Service

A total commitment to premium customer service drives every aspect of the Group's operations. Staff at all levels make use of every available channel to keep up with market trends and find out what customers really want, so the Group can deliver products and service that exceed their expectations.

The Group knows that buying a property is the most important decision most people make. Senior management regularly visit residents of the Group's estates at home to learn more about their needs and expectations, and what they learn translates into improved quality and service in new developments. This has been an ongoing practice for over 20 years, and one which has helped the Group stay ahead on quality.

There has been an inter-departmental handover team that serves new owners throughout the handover process. The team recently expanded its sphere of operations starting with Central Heights, with team members on hand at the solicitor's firm to explain details and procedures. Owners rate the handover quality of the Group's developments highly, as shown by the fact that

18 Farm Road in Kowloon, Sham Wan Towers in Island South and Royal Peninsula in Hung Hom took the top three positions in a property handover quality poll carried out by a local media outlet during the year under review.

Comprehensive customer care offered by the Group's member property management companies Hong Yip and Kai Shing fulfills part of the Group's pledge of superb service. The generous praise that residents give shows that the service more than satisfies their needs. The period under review saw Hong Yip win the Corporate Service Team of 2004 (Property Management) award presented by the Asia Pacific Customer Service Consortium and be named Outstanding Property Management Company in the 5th Outstanding Enterprise Awards presented by *Capital* magazine. The year also saw Kai Shing offer its staff training courses accredited by the Security and Guarding Services Industry Authority.

The Group regularly holds seminars on property management for staff and devises certificate courses for its Customer Care Ambassadors, to lift professionalism and service quality through systematic training.



Vice Chairman & Managing Director Thomas Kwok (right) with Executive Director Mike Wong (second left) and Sun Hung Kai Real Estate Agency Executive Director Eric Tung (first left) listen to a resident.



Homebuyers benefit from the Group's comprehensive service, like the handover team member pictured here showing new owners how to operate their electrical appliances.



Customer Care Ambassadors were issued new uniforms to enhance their friendly, professional image, in different styles for different malls.

The Group appreciates that buying a home today is about more than the physical property; it includes the total living experience. This is why the Group recognizes the need to engage in two-way communication with its customers. The SHKP Club provides its members a wide range of services and exclusive offers. In return members provide the Group with insights into the market that help with product design and sales strategies. The Club was established nine years ago and membership now exceeds 210,000. The Club marked two important events during the period under review – the introduction of Star membership with added benefits for people living in or owning the Group's properties and the launch of the multi-function SHKP Club VISA Card with extra offers and service.

Communication with customers is supported through the Internet, e-mail and the SHKP Forum. The Group's web site contains the latest corporate information and it has



Customer Care Ambassadors in APM mall welcome shoppers and provide excellent service.

been revamped with new sections on areas like corporate governance, selected Hong Kong economic statistics and customers' words of praise. The Group takes customers' opinions seriously and has a special team handling the SHKP Forum and e-mail enquiries.



Vice Chairman & Managing Director Raymond Kwok (left) and Bank of East Asia Chairman & Chief Executive David Li introduce the new SHKP Club VISA Card.



Head of Corporate Communications May Lau (back right) and Assistant General Manager of the SHKP Club Winnie Tse (back left) at the Star membership kick-off event.

Corporate Governance

Commitment to Corporate Governance

Maintaining high standards of business ethics and corporate governance practices has always been one of the Group's prime objectives. The Group believes that conducting business in an open, responsible manner serves its long-term interests and those of its shareholders.

The Group believes that good corporate governance is important to maximize shareholder returns. Details of the Group's investor relations initiatives and the recognition it has received for good management can be found under Investor Relations on page 74.

Compliance with Model Code

The Group follows the Model Code for Securities Transactions by Directors of Listed Issuers in appendix 10 to the Listing Rules as the code of conduct for directors in their dealings in Group securities. The Group made specific enquiries of each director, and each confirmed that he had fully complied with the Model Code during the year ended 30 June 2005.

Board of Directors

The board has 18 directors – eight executive directors, six non-executive directors and four independent non-executive directors. All directors give sufficient time and attention to the Group's affairs. The board believes that the balance between executive and non-executive directors is reasonable and adequate to provide checks and balances that safeguard the interests of shareholders and the Group.

The non-executive directors provide the Group with a wide range of expertise and experience. Their participation in board and committee meetings brings independent judgement on issues relating to the Group's strategy, performance, conflicts of interest and management process, to ensure that the interests of all shareholders are taken into account.

The Group has four independent non-executive directors, at least one of whom has appropriate financial management expertise, in compliance with the Listing Rules. Each independent non-executive director gives the Group an annual confirmation of his independence, and the Group considers these directors to be independent under the guidelines set out in rule 3.13 of the Listing Rules. No independent non-executive director has served the Group for more than nine years.

Board Meetings

The full board met twice during the year under review, in September 2004 and March 2005. At the meetings the directors discussed and formulated overall strategies for the Group, monitored financial performance and discussed the annual and interim results, as well as other significant matters. Daily operational matters are delegated to management.

At least 14 days notice of all board meetings was given to all directors, and all directors were given an opportunity to include matters for discussion in the agenda.

The Company Secretary assists the Chairman in preparing the agenda for meetings and ensures that all applicable rules and regulations are followed. He also keeps detailed minutes of each meeting, which are available to all directors. A draft of the minutes is circulated to all directors for comment and approval as soon as practicable after the meeting.

All directors have access to relevant and timely information, and they can ask for further information or retain independent professional advisors if necessary. They also have unrestricted access to the advice and service of the Company Secretary, who is responsible for providing directors with board papers and related materials and ensuring that board procedures are followed.

Should a potential conflict of interest involving a substantial shareholder or director arise, the matter is discussed in an actual meeting, as opposed to being dealt with by written resolution. Independent non-executive directors with no conflict of interest are present at meetings dealing with conflict issues. Board committees, including the Audit, Remuneration and Nomination Committees, all follow the applicable practices and procedures used in board meetings for committee meetings.

Training and Support for Directors

All directors must keep abreast of their collective responsibility. The Group provides briefings and other training to develop and refresh the directors' knowledge and skills. The Group continuously updates all directors on the latest developments regarding the Listing Rules

and other applicable regulatory requirements, to ensure compliance and to enhance their awareness of good corporate governance practices.

Remuneration Committee

The Remuneration Committee was established in June 2005. All members are non-executive directors and the majority are independent. The Committee is chaired by independent non-executive director Sir Chung Sze-yuen and the other members are Professor Richard Wong Yue-chim and Mr. Clement Lo Chiu-chun.

The Remuneration Committee is responsible for formulating and recommending remuneration policy to the board and determining the remuneration of executive directors and members of senior management, as well as reviewing and making recommendations on the Group's share option scheme, bonus structure, provident fund and other compensation-related issues. The Committee consults with the Chairman on its proposals and recommendations, and has access to professional advice if deemed necessary. The Committee is also provided with other resources enabling it to discharge its duties. The Remuneration Committee's specific terms of reference are posted on the Group's web site.

Nomination Committee

The Nomination Committee was established in June 2005. All members are non-executive directors and the majority are independent. The Committee is chaired by independent non-executive director Professor Richard Wong Yue-chim and the other members are Mr. Dicky Peter Yip and Mr. William Kwan Cheuk-yin.

Corporate Governance

The Nomination Committee is responsible for formulating policy and making recommendations to the board on nominations, appointment of directors and board succession. The Committee also develops selection procedures for candidates, reviews the size, structure and composition of the board and assesses the independence of independent non-executive directors. The Committee is provided with sufficient resources enabling it to discharge its duties. The Nomination Committee's specific terms of reference are posted on the Group's web site.

Directors' Terms of Appointment and Re-election

Non-executive directors are appointed for a specific term of two or three years. All directors retire from office by rotation and are subject to re-election at an annual general meeting at least once every three years.

The company's articles of association provide that directors appointed to fill a casual vacancy shall hold office only until the first annual general meeting after their appointment, and shall be subject to re-election by the shareholders.

Audit Committee and Accountability

The board is responsible for presenting a clear, balanced assessment of the Group's performance and prospects. It is also responsible for preparing accounts that give a true and fair view of the Group's financial position on a going-concern basis and other price-sensitive announcements and financial disclosures. Management provides the board with the relevant information it needs to discharge these responsibilities.

The Audit Committee was established in 1999. Its members include three non-executive directors, the majority of whom are independent non-executive directors. Its responsibilities include the following:

- making recommendations on the appointment, reappointment and removal of external auditors and considering the terms of such appointments
- developing and implementing policies on the engagement of external auditors for non-audit services
- monitoring the integrity of the financial statements, annual and interim reports and the auditors' report to ensure that the information presents a true and balanced assessment of the Group's financial position
- ensuring that management has fulfilled its duty to maintain an effective internal control system
- reviewing the internal audit programme and ensuring that it is allocated adequate resources and is effective
- reviewing the external auditor's management letter and any questions raised by the auditor to management, and management's response

The Audit Committee is provided with sufficient resources enabling it to discharge its duties. The Audit Committee's specific terms of reference are posted on the Group's web site.

The Audit Committee held two meetings during the year ended 30 June 2005 – in September 2004 and March 2005 – with full minutes kept by the Company Secretary. Following the board's practice, minutes are circulated to all members for comments, approval and record as soon as practicable after each meeting. There was no disagreement between the board and the Audit Committee on the selection, appointment, resignation or dismissal of the external auditors.

Internal Control

The board has overall responsibility for maintaining sound and effective internal controls to safeguard the Group's assets and shareholders' interests. The board conducts regular reviews of the Group's internal control system.

The system includes a well-established organizational structure with clearly defined lines of responsibility and authority, which is designed to safeguard assets from inappropriate use, maintain proper accounts and ensure compliance with regulations. Executive management is directly responsible for implementing the strategy and policies adopted by the board, and for all the Group's activities including the operation of the internal control system.

The board assesses the effectiveness of internal controls by considering reviews performed by the Audit Committee, executive management and both internal and external auditors. The board believes that the present internal control system is adequate and effective.

The Internal Audit Department follows a risk-and-control-based approach. The department performs regular financial and operational reviews of the Group, its subsidiaries and associate companies, as well as other reviews as required. Summaries of major audit findings and control weaknesses, if any, are reviewed by the Audit Committee. The Internal Audit Department monitors the follow-up actions agreed upon in response to its recommendations.

The board monitored the Group's progress on corporate governance practices throughout the year under review. Periodic meetings were held, and circulars or guidance

notes were issued to directors and senior management where appropriate, to ensure awareness of best corporate governance practices.

Delegation by the Board

The board formulates overall Group strategy. Given the diversity and volume of the Group's business, responsibility for execution and daily operations is delegated to management.

Shareholder Relations

The Group follows a policy of disclosing relevant information to shareholders in a timely manner. The Group's annual general meeting (AGM) allows the directors to meet and communicate with shareholders. The Chairman is actively involved in organising the AGM and personally chairs it, to ensure that shareholders' views are communicated to the board. The Chairman proposes separate resolutions for each issue to be considered at the AGM.

AGM proceedings are reviewed periodically to ensure that the Group follows best corporate governance practices. An AGM circular is distributed to all shareholders at least 21 days prior to the AGM, setting out details of each proposed resolution, voting procedures (including procedures for demanding and conducting a poll) and other relevant information. The Chairman explains the procedures for demanding and conducting a poll again at the beginning of the meeting, and (except where a poll is required) reveals how many proxies for and against have been filed in respect of each resolution. Vote results are posted on the Group's web site on the day of the AGM.

Investor Relations

Giving clear explanations of corporate strategy and business operations to key groups like stakeholders, investors, analysts and bankers is a key element in the Group's investor relations. The Group makes sure that important information is disclosed on a timely basis, through channels such as meetings with investors, annual and interim reports, press releases and periodicals like the SHKP Quarterly. All published information is promptly posted on the Group's web site www.shkp.com. The Group holds press conferences, analyst briefings and investor meetings right after results are announced, with directors and senior management present to answer questions. The post-results analyst briefings can be viewed over the Internet, increasing transparency and speed of availability.

Senior management holds regular meetings to keep analysts up to date on the Group's latest developments. The Group took part in several investor conferences during the year, including the CSFB Asian Investment Conference and CLSA Investors' Forum, both in Hong Kong, and Morgan Stanley's Asia Pacific Summit in Singapore. Senior management also went on overseas road shows and about 1,200 people attended various investor-relations events held by the Group during the year, including a show flat preview for The Arch.

The Group has received various awards from leading financial magazines in recognition of its high-quality management and corporate governance over the years, reflecting its seasoned management team, good investor relations and effective corporate governance.

Awards

- 2005** • Named number one among Best Property Developers in both Asia and Hong Kong by *Euromoney* magazine
- Named number one for Best Corporate Governance in Hong Kong by *The Asset* magazine
- Named Asia's Best Property Company by *FinanceAsia* magazine for the third consecutive year
- 2004** • Named Hong Kong's Best Managed Company since 1991 by *Asiamoney* magazine
- Named number one among Hong Kong's Best Managed Property Companies by *Euromoney* magazine
- Named number one among Best Managed Companies in both Asia and Hong Kong, and Hong Kong's number one for Corporate Governance by *Asiamoney* magazine

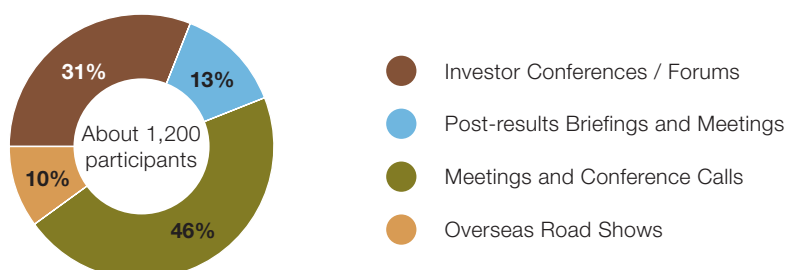


Vice Chairman & Managing Director Raymond Kwok (left) accepts the Asia's Best Managed Company award from *Asiamoney* Editor Chris Cockerill.

Major Investor Relations Events in Financial Year 2004/05

Date	Event
2004	
September	FY 2003/04 annual results announcement <ul style="list-style-type: none"> • Press conference • Fund manager and analyst briefing • Post-results meetings with fund managers Investors' forum in Hong Kong
October	Road shows to US and Europe
November	Investment conference in Singapore
2005	
March	FY 2004/05 interim results announcement <ul style="list-style-type: none"> • Press conference • Fund manager and analyst briefing • Post-results meetings with fund managers Investment conference in Hong Kong
April	Preview of The Arch show flats for analysts and fund managers
June	An opportunity for analysts to experience APM mall in Millennium City

Communications with the Investment Community in Financial Year 2004/05



Analyst briefings shortly after results are announced (left) and seminars for fund managers (right) explain the Group's business strategy and add transparency.

Corporate Citizenship – Staff Development and Personal Growth

A firm belief in the benefits of providing a positive work environment where people can grow is part of the Group's commitment to good corporate citizenship. The Group offers a wide range of training and development programmes for employees at all levels, in order to improve the quality of its products and service. It also organizes a range of special interest courses and other activities, to help staff keep mentally and physically active. The Group (excluding associated companies) had over 22,000 valued employees during the year under review.

Staff filled more than 10,000 places at training sessions during the year, in courses designed to upgrade skills, meet the Group's needs and facilitate personal growth. Programmes covered management skills, business strategies, customer service, communication, language, personal development and quality management, as well as market-insight seminars for sales and leasing teams and technical training for construction staff. Regular exchange sessions for property management staff in the Group's residential estates ensure that staff benefit from

their colleagues' knowledge and experience, and the Group also works constantly to maximize service in its offices and shopping malls, cultivating relationships with tenants and equipping staff with professional skills. Comprehensive training for leasing and property management teams gives staff the broad-based knowledge and skills to handle both leasing and building management issues.

Managerial staff have the benefit of courses and seminars about the latest concepts in people management and business strategy led by leading experts in different fields, including CEOs of listed companies. Senior managers also attend programmes at renowned overseas institutions like Harvard University and the Chinese-European Institute of Business, to develop a global perspective.

Through its management and engineering trainee programmes, the Group recruits high-calibre graduates from leading universities and offers them exposure to different aspects of the Group's business and



Vice Chairman & Managing Director Thomas Kwok (middle) and SHKP staff at the Community Chest Corporate Challenge Marathon.



Taking part in charitable activities allows staff to help the less fortunate and builds team spirit at the same time.

professional accreditation. Staff with recognized potential receive advanced training so they can develop and assume greater responsibility in the future. The Group also hosts company visits and internships for secondary-school and university students, to help them prepare for the business world and broaden their horizons.

The Group wholeheartedly supports life-long learning. Staff at all levels can get company sponsorship for external job-related courses in addition to internal training, in programmes ranging from short seminars to full degrees. A wide variety of self-learning options are readily available for staff, including materials in the Group's Training Library, e-learning programmes on the Internet and resources on the Group's own intranet.

The Group stages various activities for employees outside the workplace, such as special interest classes in subjects as diverse as cooking, stress management and digital photography, as well as outdoor recreation and sports. These help build team spirit and facilitate interdepartmental communication and cooperation.



Management trainees learn different aspects of the Groups' business, here in the Route 3 (CPS) control room.



Staff have the flexibility of e-learning over the Group's intranet.



A wide range of classes for all levels of staff encourage life-long learning.



Regular seminars help staff to keep up to date on the latest market trends.

Corporate Citizenship – Environmental Protection and Promotion

Concern for the environment is growing in Hong Kong, and the Group is acutely aware of the need for all members of the community to protect the environment and conserve natural resources. The Group does much more than build quality homes; it incorporates environmental concepts in the planning and construction of developments and its member property management companies Hong Yip and Kai Shing follow green practices in the estates they administer.

The Group ensures that residents enjoy a green living environment by having its in-house landscape architects create fresh designs that complement the individual styles of different developments. Projects incorporate environmentally-friendly facilities to ensure optimum use of natural resources, and large areas are set aside as substantial landscaped green space and planted with a variety of flora.

The various green measures the Group employs during construction have been widely recognized as being effective in minimizing the impact of new developments on neighbourhoods and the environment. The Group's accolades in this area include top awards for Outstanding Waste Management Performance, Site Cleanliness and Tidiness and Considerate Construction Site. Kowloon Station Packages 6 & 7 also won a certificate of merit in the Green Construction Contractors Category of the 2004 Hong Kong Eco-Business Awards, and many estates managed by Hong Yip and Kai Shing were granted the right to display the gold Wastewise logo in recognition of their green property management.

The SHKP Environmentally Friendly Joint Action Campaign involved about 230,000 households in more than 200 Hong Yip and Kai Shing estates, as well as tenants of over 200 commercial and industrial buildings and shopping centres. The campaign to conserve electricity achieved a remarkable saving of more than HK\$21 million by the time it ended in 2004.



Kai Shing Director Patrick Lam (second left) and colleagues accept a 2004/05 Green Property Management award from the Hong Kong Housing Authority.



Staff at Wonderland Villas show children how mint leaves repel mosquitoes.

The Group's two property management companies also won various environmental awards. Kai Shing won several environmental honours, including a 2004/05 Green Property Management award from the Housing Authority, while Hong Yip won many cleaning and recycling competitions with its dedication to promoting waste separation and recycling among residents.

The Group's green initiatives extend to the larger community, including sponsorship of the Walk for the Environment 2005 organized by the Conservancy Association and the 12th Green Power Hike for a Green Future.



Environmental features in Group developments offer residents comfortable green living. The lush Park Island Phase 3 Oceanfront is one example.



Residents are encouraged to separate waste for a cleaner environment.



The Group's estates hold a variety of events to encourage residents to recycle newspaper, clothes and other materials.

Corporate Citizenship – The Group and the Community

The idea of 'Building Homes with Heart' means more to the Group than just providing quality accommodation; it also extends to the community at large. As a good corporate citizen, the Group has played an active role in education and caring for the needy, as well as encouraging reading and various cultural and community events. The Group donated HK\$30 million to various charities during the year under review.

The Group understands that knowledge is the key to success in this age of increasing globalization, so it encourages people to broaden their horizons and become more competitive. The Group collaborated with The Chinese University of Hong Kong to stage two sets of public lectures by visiting Nobel laureates during the period under review, offering Hong Kong people the chance to learn from top economists. It also set up the popular SHKP Book Club, an ongoing project to promote reading in Hong Kong through seminars, book review competitions and an informative web site dedicated to promoting reading.

The Group promotes education in Hong Kong and on the mainland with a variety of initiatives. The SHKP awards for

talented professors at Tsinghua University in Beijing have benefited many scholars over the years, and the Group offers scholarships to MBA students at The Chinese University of Hong Kong. The Group has sponsored the American Field Service student exchange programme for three consecutive years, to allow young people from Hong Kong to study overseas and gain an international perspective. The TS Kwok Foundation donated HK\$40 million to the Open University of Hong Kong's campus extension programme.

Promoting an awareness of different cultures is another of the Group's goals. It brought Picasso's famous stage curtain *Parade* to Hong Kong for the first time, and put it on public display at IFC Mall. Local culture received a boost when the Group staged the SHKP Community Art Cultivation Programme with events including ink painting exhibitions at schools and the First SHKP Children's Go Meijin Tournament. The Group also sponsored performances by the National Ballet of China and Chung Ying Theatre Company, as well as a Latin-American dance extravaganza and cultural exchange with the China Tibetan Cultural Week in Hong Kong.



Vice Chairman & Managing Director Raymond Kwok (left) and Chinese University of Hong Kong Vice Chancellor Lawrence Lau hope the Sun Hung Kai Properties Nobel Laureates Distinguished Lectures will benefit Hong Kong.



The first SHKP Children's Go Meijin Tournament sets a Hong Kong record with 1,000 players.

Many senior citizens enjoy a better standard of living because of the Group's SHKP Fund for the Elderly. The SHKP Volunteer Team was established two years ago to encourage staff to undertake community service. The Team now has over 900 members, who got involved in more projects during the period under review. The Group held a 'Buy dumplings, bring smiles' fundraiser for the Operation Smile China Medical Mission, to help pay for operations on mainland children born with cleft lips or palates. It also organized the Hong Chi Climbathon to raise funds for the Hong Chi Association, which assists mentally-handicapped children.

The Group helped sponsor the Lions Club International Convention to promote Hong Kong's tourism sector and lift the city's international status. It continued to support various Community Chest activities like the Corporate Challenge Marathon and MTR Hong Kong Race Walking 2005 during the period under review, and won the highest fundraising honours in both events. The Hong Kong Council of Social Services once again named the Group a Caring Company in recognition of its support



Chairman & Chief Executive Walter Kwok (right) with French President Jacques Chirac at the exhibition of Picasso's masterpiece *Parade*.

for charity and commitment to community service. The Group also contributed HK\$1 million to help survivors of the tsunami that hit southern Asia, extending its charitable reach beyond the territory's borders.



Vice Chairmen & Managing Directors Thomas Kwok (second right) and Raymond Kwok (right) present a cheque to Open University of Hong Kong Council Chairman Charles Lee (second left) and President John Leong.



The SHKP Volunteer Team extended its assistance to more needy elderly people, making their lives better.