
Sun Hung Kai Properties

Sustainability Report 2010



Sun Hung Kai Properties

Building Homes with Heart

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Our Reporting Approach

This is our first stand-alone Sustainability Report, providing a review of our sustainability impacts and activities. We have been reporting on our community activities in our annual and interim reports since 1986, as part of our commitment to transparency and accountability.

Scope of the Report

This Report covers significant economic, environmental and social impacts arising from our operations in Hong Kong. These include our head office and wholly-owned subsidiaries in property management and construction Hong Yip Service Company Limited, Kai Shing Management Services Limited and Sanfield (Management) Limited. This Report covers the 2010 calendar year. In some cases, where highlighted, information for early 2011 is also included to give an up-to-date picture. As the reporting period differs from our financial year, the Report includes financial figures from 1 July 2010 to 30 June 2011. Given that this is our first stand-alone Report, our data collection remains limited to selected environmental and social indicators, which we will expand on in our next Report.

How We Report

The Report content has been informed by an independently-managed stakeholder engagement process, the identification of sector-relevant sustainability issues, and the Global Reporting Initiative (GRI) reporting framework (G3.1).

Message from the Vice Chairmen and Managing Directors

We are pleased to present Sun Hung Kai Properties' first Sustainability Report to our stakeholders.

Our company has been part of Hong Kong for decades, and during this time we have consistently worked for the betterment of the territory and its society. We have helped provide the homes that shelter its people and the commercial and retail developments that have enabled businesses to thrive. We have also provided gainful employment and business opportunities to thousands of individuals and companies in the process.

Our belief in 'Building Homes with Heart' has always gone further than bricks and mortar: we not only build homes for our customers but also work to make Hong Kong a better place for all to live in.

We have always tried our best to be a socially-responsible corporation. We have supported charities, education and the arts in the community for many years, and our business operations have long incorporated the principles of conservation, respect for the environment and sustainable development.

We are producing our first stand-alone Sustainability Report this year to provide an account of our efforts so far and to make our policies and initiatives more transparent to stakeholders and the community at large. We also aim to create a system for feedback, new input and ongoing improvement.

This Report describes our business approach to sustainable development, explains our policies and performance, chronicles our major achievements and maps out our vision for the future. Major sections outline our stakeholder engagement, environmental responsibility and commitment to sustainability, as well as our approaches to our staff, customers and the community. We will continue reaching out to stakeholders through annual engagement exercises to collect their views for future action.

Community stakeholders consider a Sustainability Report an important barometer for improving transparency about environmental and social impacts, and this Report about our ethic of corporate social responsibility is meant to initiate a process of feedback and improvement.

Sun Hung Kai Properties believes that a commitment to sustainable development is not only desirable but necessary for the viability of a business and the community within which it operates. This Report is our affirmation of that belief and the foundation of our pledge to build always for a better tomorrow.

Kwok Ping-kwong, Thomas
Vice Chairman & Managing Director

Kwok Ping-luen, Raymond
Vice Chairman & Managing Director

October 2011

Our Business

Sun Hung Kai Properties was publicly listed in 1972 and is now one of the largest property companies in Hong Kong.

We believe in 'Building Homes with Heart' and put this into practice by developing residences of the finest quality and offering first-class service to customers, and by contributing to the good of the community to make Hong Kong a better home for everyone.

Our core business is property development for sale and investment, including premium residential projects, offices and shopping centres. These are complemented by property-related operations including hotels, insurance and property management, as well as investments in telecommunications, information technology and transportation, infrastructure and logistics.

We aim to balance earnings from property sales and recurrent income in Hong Kong and on the mainland. We practice prudent financial management and maintain low leverage. These solid financial foundations and market leadership have earned us an A1 rating from Moody's and an A+ rating from Standard & Poor's with stable outlooks for both.

Our seasoned management team follows prudent strategies for long-term business development, and the Company's philosophy includes a strong sense of corporate social responsibility, both to its customers and to the public. We work for the benefit of the community with wide-ranging initiatives to protect the environment, care for the less fortunate and foster educational development.

Financial year 2010/11 highlights



HK\$21,479 million of underlying profit attributable to the Company's shareholders from all operations in Hong Kong and in mainland China.



HK\$62,553 million in revenue from all operations in Hong Kong and in mainland China.



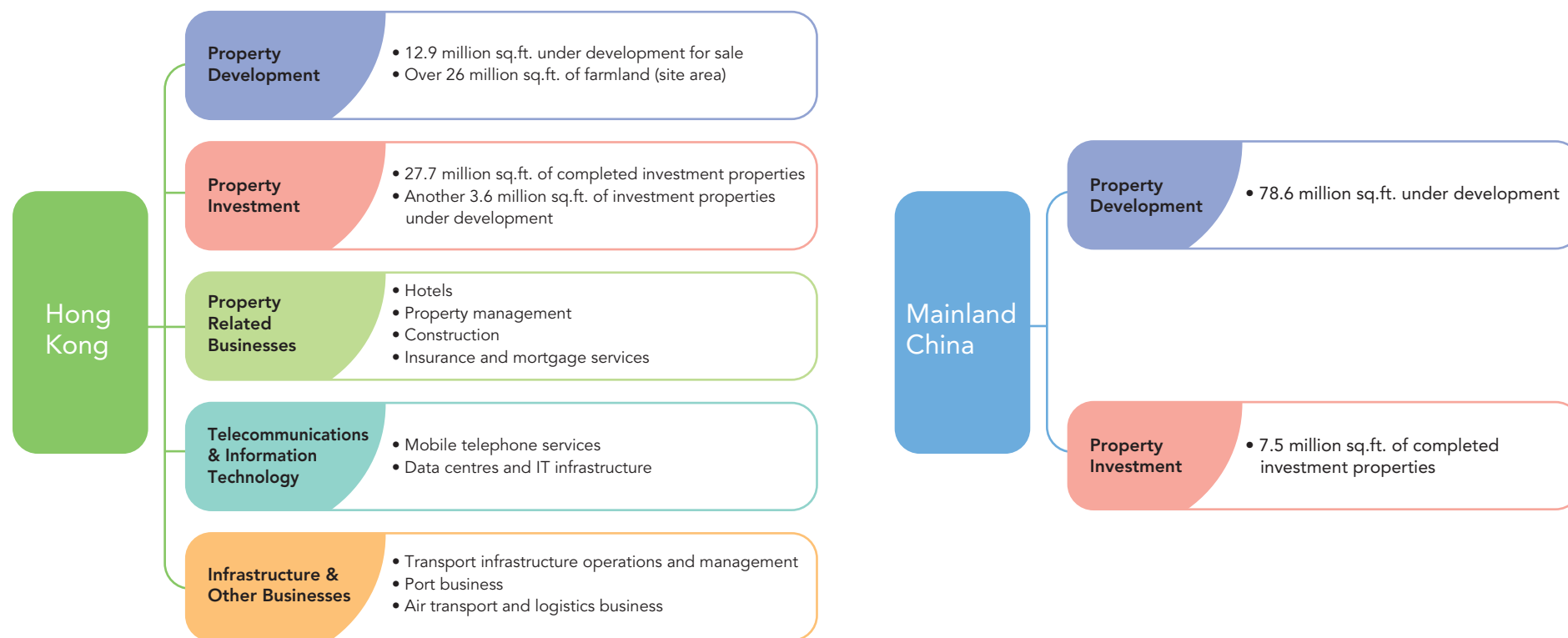
Diverse Hong Kong land bank of **44.2 million** square feet by attributable gross floor area, plus over 26 million square feet of farmland by site area.



Over **35,000** employees in Hong Kong and in mainland China.

Business structure

Sun Hung Kai Properties



As at 30 June 2011

Our property business

We hold a diverse Hong Kong land bank of 44.2 million square feet by attributable gross floor area, plus over 26 million square feet of farmland by site area¹.

Attributable gross floor area¹ (million square feet)

	Development for Sale	Development for Investment	Completed Investment Properties	Total
By Usage				
Residential	11.7	—	0.9	12.6
Shopping centre	—	1.1	10.1	11.2
Office	0.2	1.0	10.1	11.3
Hotel	—	0.6	2.9	3.5
Industrial/Office ²	1.0	0.9	3.7	5.6
Total	12.9	3.6	27.7	44.2

With regard to our property portfolio, we distinguish between properties that we build for sale, those that we own, lease and manage, and those that we do not own but manage for others. Our corporate social responsibilities vary in respect of each.

We completed seven projects with 2.9 million square feet of attributable gross floor area in Hong Kong in the financial year 2010/11, of which 2.3 million square feet are residential.

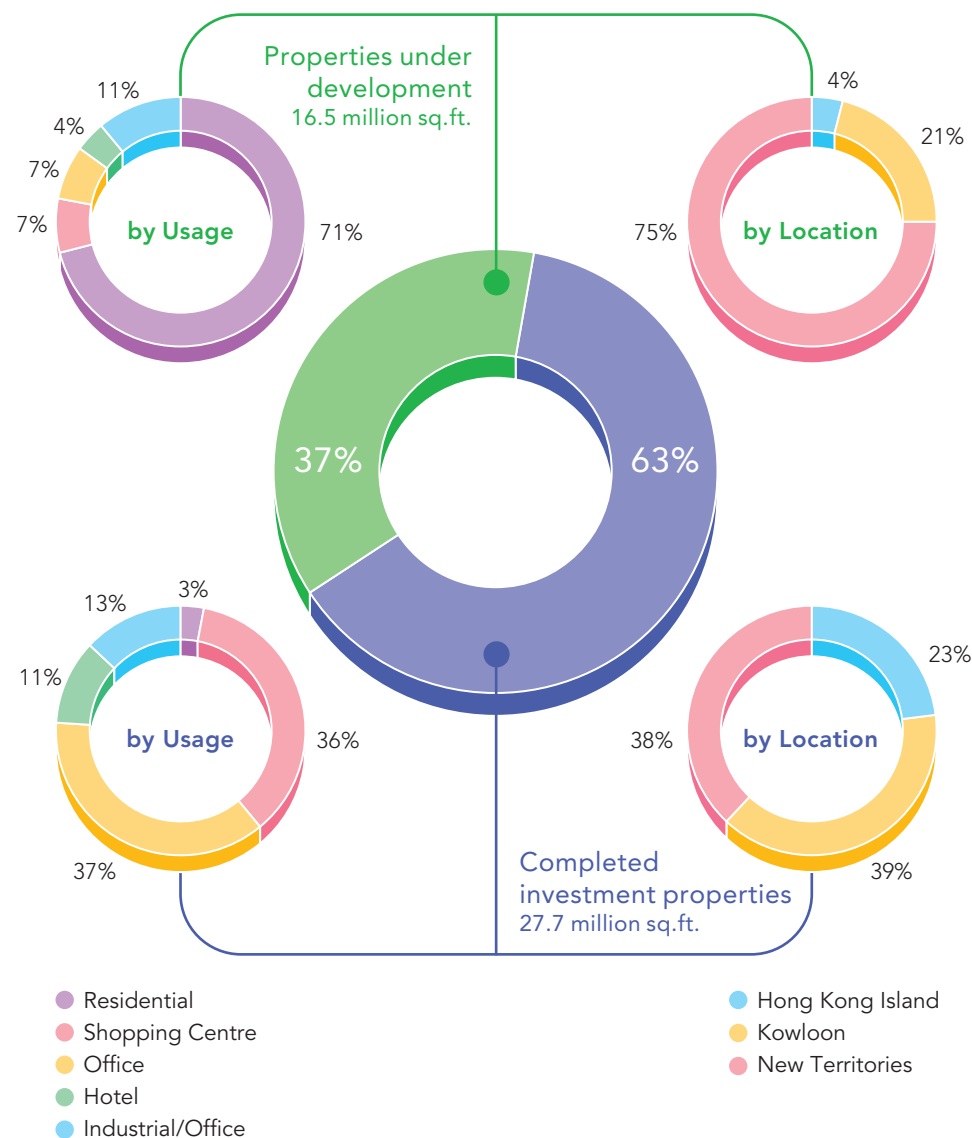
Our investment property portfolio comprises 10.1 million square feet of retail space, 10.1 million square feet of office space, around a million square feet of residential properties for lease, and over 34,000 car parking bays. We have been refining our investment property mix over the years, gradually increasing the proportion of high-grade investment properties in prime locations.

¹ As at 30 June 2011

² Includes godowns

Hong Kong land bank composition

(44.2 million square feet in attributable gross floor area as at 30 June 2011)



Projects completed in Hong Kong in financial year 2010/11

Project	Usage	Attributable Gross Floor Area (square feet)
The Latitude	Residential/ Shopping Centre	1,230,000
Aria	Residential	775,000
Larvotto	Residential/ Shops	320,000
CEO Tower	Industrial	254,000
Excel Centre	Office	109,000
Lime Habitat	Residential	87,000
Park Nara	Residential	83,000

Selected Memberships and Charters

- Business Environment Council (Founding Member)
- HKSAR Provisional Minimum Wage Commission (Member)
- HKSAR Commission on Strategic Development (Member)
- HKSAR Construction Industry Council (Member)
- Signatory of the Hong Kong Clean Air Charter (The Hong Kong General Chamber of Commerce and the Hong Kong Guangdong Business Coalition on the Environment)
- Signatory of the Hong Kong Carbon Reduction Charter and Carbon Audit Green Partner (Hong Kong Environmental Protection Department)
- The Hong Kong Green Building Council (Patron Gold Member)
- WWF-Hong Kong (Corporate Member)

Selected Awards in 2010/11

Organizer	Award
Asiamoney	Best Company in Asia for Corporate Governance and Best for Disclosure and Transparency
The Asset	Platinum Award for Excellence in Management and Corporate Governance
Corporate Governance Asia	Asian Excellence, Asian Corporate Director and Corporate Governance Asia Recognition Awards
Euromoney	Best Developer in Hong Kong Overall, Most Convincing and Coherent Strategy in Asia (Property), Best Corporate Governance and Most Convincing and Coherent Strategy in Hong Kong
FinanceAsia	Asia's Best Real Estate Company, Hong Kong's Best Managed Company, Best for Corporate Governance, Best Investor Relations, Best for Corporate Social Responsibility, Most Committed to Strong Dividend Policy in Hong Kong, Best Chief Executive Officer and Best Chief Financial Officer
The Hong Kong Council of Social Service	Caring Company Awards (for 61 group companies and developments of which 12 are '5-Year-Plus' designations)
HKSAR Environmental Protection Department	Environmental Excellence Awards (for six developments)
HKSAR Leisure and Cultural Services Department	Best Landscape Awards (for 11 developments)
Prime Magazine	Platinum Eco-Business Award
Readers' Digest	Platinum Honour in the Reader's Digest Trusted Brand Awards
Yahoo! Hong Kong	Yahoo! Emotive Brand Award

Our Approach to Sustainable Development

Our corporate mission is 'Building Homes with Heart'. Hong Kong is our home and we are committed to its sustainable development. By contributing to a thriving community whilst ensuring the sustainability of our business, we look beyond regulations to achieve economic, social and environmental progress simultaneously.

Our Corporate Social Responsibility (CSR) strategy and practices are guided by a set of core principles:

- We view social responsibility as an integral part of our corporate strategy
- We uphold high ethical and governance standards
- We emphasize employee development and well-being
- We value stakeholder engagement in formulating our strategies and practices
- We leverage our competencies to address community priorities
- We are committed to sustained efforts with long-term benefits

A CSR team is responsible for devising CSR strategies, monitoring performance and incorporating economic, social and environmental concerns into our decision-making process. The team is led by an Executive Director and comprises representatives from Corporate Communications and other key corporate and business units. The team reports to the Executive Committee.

We understand the changing expectations of stakeholders and we will continue to keep abreast of issues and adapt our strategy where needed.

“Sun Hung Kai Properties has a team of experienced and professional management with a clear structure that is transparent to investors.”

Investor Interview

Corporate governance

Maintaining high standards of business ethics and corporate governance has always been important to us. We believe that conducting our business in an open and responsible manner and following good corporate governance practices ensures long-term value for shareholders and other stakeholders.

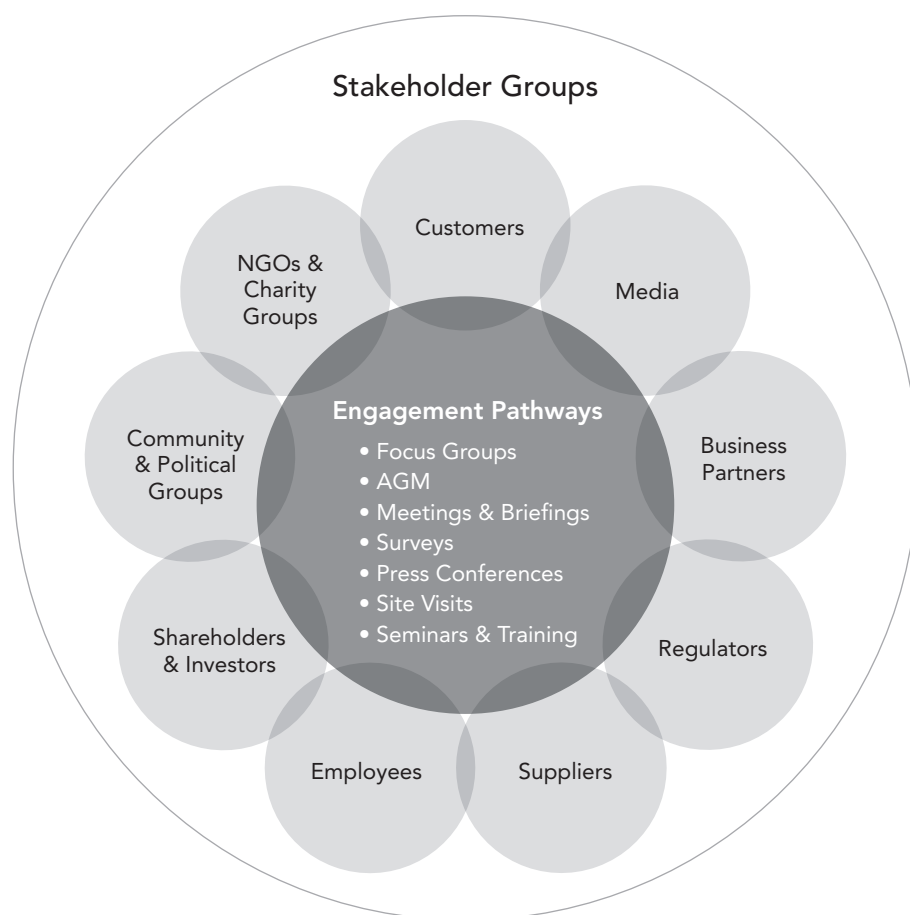
The Group's Code of Conduct outlines standards of business ethics and conduct. It is promoted across business units, suppliers, contractors and subsidiaries. Department and section heads are responsible for briefing employees on the Code and reporting any violations to the human resources department.

Our Board of Directors monitors and reviews corporate governance practices to ensure compliance. The Board currently has 18 Directors – seven Executive Directors, seven Non-Executive Directors and four Independent Non-Executive Directors. No Independent Non-Executive Director has served the Company for more than nine years. The Board is chaired by Madam Kwong Siu-hing.

As a real estate developer, environmental, social and governance risks are mainly related to project development, project construction and service provision. The Group has systems and procedures in place to identify and report risks. The Board of Directors has overall responsibility for maintaining sound and effective internal control systems for the Group.

Commitment to Our Stakeholders

Engaging stakeholders is a key component of our strategy for anticipating and adapting to changes in the business environment. Throughout the year we employ a variety of channels to collect stakeholder views through regular meetings, site visits, workshops, consultations, focus groups, surveys, and knowledge-sharing seminars.



“For equity research, we would normally consider transparency and corporate governance to be important factors. Aspects like environmental responsibility and giving back to society are often not considered by investors, however this might change in the future.”

Nomura International (HK) Managing Director Paul Louie

The way we go about engaging our customers and those who work with us is set out in greater detail in later sections. However, the same spirit of openness underlies our engagement with all our stakeholders.

For example, following discussions with the Conservation Association and others, we abandoned our original development plan in Sham Chung and decided to restore a portion of land to the South West of Sham Chung as freshwater marsh.

In order to better inform the content of this Report and to receive feedback on our CSR practices, we conducted our first independently-reviewed stakeholder engagement process, targeting employees, NGOs, customers and investors.

Views and concerns relating to our governance and social and environmental performance were collected through a series of focus groups and interviews. It was generally agreed that we are a socially-responsible company that provides good quality properties, with some of the best corporate-governance practices amongst property developers in Hong Kong. Our stakeholders have high expectations of us in relation to our scale of operations and potential influences and in the coming year we will look to enhance our performance further in some of the key areas raised such as:

- Maintaining our reputation for quality developments
- Ensuring development conformity with advertised descriptions
- Promoting sustainability among subsidiaries and providing more extensive disclosure relating to other operations
- Reporting on key environmental indicators including carbon emissions, building efficiency, water usage, and waste generation and recycling
- Incorporating more energy-efficient features into properties and better managing the temperature of air conditioning at shopping centres
- Promoting environmental features in properties to educate the public and attract potential buyers
- Working with the government, public utility companies, NGOs, residents and tenants to support and adopt environmental initiatives
- Developing a long-term community investment strategy and mission and reporting on the longer term impacts of our community projects
- Reviewing employee benefits and workplace practices
- Engaging with stakeholders on sustainability concerns
- Expanding the scope of our environmental and social impacts and practices disclosure

We will continue to conduct an independent stakeholder engagement process with different groups on an annual basis to gain feedback on our environmental and social performance.

Commitment to Our Environment

We consider environmental protection essential to our long-term development. Environmental concerns are taken into account in all our operations from planning and procurement through to construction and development and on to property management.

Environmental management

Our commitments are outlined in the Group's Environmental Policy. We are committed to:

- The integration of environmental concerns into our designs, construction methods and procurement processes
- The promotion of environmental awareness among our staff, business partners and the community
- Continuously improving environmental performance
- Regulatory compliance

We have a corporate-level environmental management system in place. A Green Brand Planning Committee ensures that environmentally-sound practices are followed by all departments. It is led by an Executive Director and reports to the Executive Committee.

We were one of the first Hong Kong developers to receive ISO14001 certification for environmental management systems in certain business operations, including our property management and construction subsidiaries.

“Sun Hung Kai Properties has encouraged its tenants and residents to participate in environmental initiatives. For example, there are recycling schemes in their properties which are easily accessible and the recycled materials are collected regularly.”

SHKP customer Chui Kin-ping

Climate change and energy management

As a property developer, we acknowledge that we play a crucial role in tackling the challenge of climate change. Improving energy efficiency across our business is at the core of our efforts to reduce greenhouse gas (GHG) emissions.

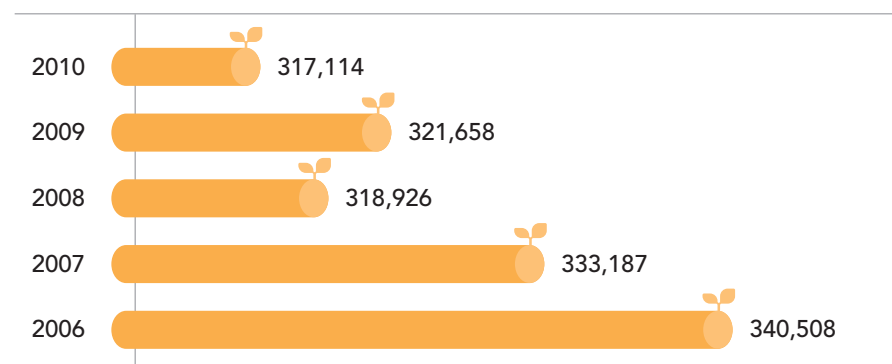
We have conducted voluntary carbon audits of our developments since 2008 covering a total of 112 buildings, including shopping malls, office and residential buildings, out of which 71 were audited in 2010. We aim to extend this scheme to cover all our managed properties. We have decided not to report our carbon audit figures as this is the first year in which most of our buildings were audited. However, the following examples help illustrate the direction in which we are moving.

Under the Hong Kong Awards for Environmental Excellence Scheme, 65 of our properties received the Carbon 'Less' Certificate. The total reduction of GHG emissions achieved at these buildings varies from 5% to nearly 15%. Our headquarters building – Sun Hung Kai Centre – achieved 976 tonnes of carbon emissions reductions in 2010 compared to 2009.

Our Energy Optimization Committee monitors energy consumption and drives energy-efficiency improvements in 51 major retail properties and offices. Over the last five years, this has resulted in 7% energy reduction. Numerous developments have achieved much higher energy savings over the five-year period including Tai Po Mega Mall (17%) and our office complex Metroplaza (16%). Tai Po Mega Mall has implemented major energy reduction measures such as a HK\$10 million investment in the conversion of air-cooled chillers into more energy-efficient water-cooled chillers for the air-conditioning system. Metroplaza reduced its electricity consumption by increasing the efficiency of the air conditioning and by replacing the old lighting fixtures with more energy-efficient ones.

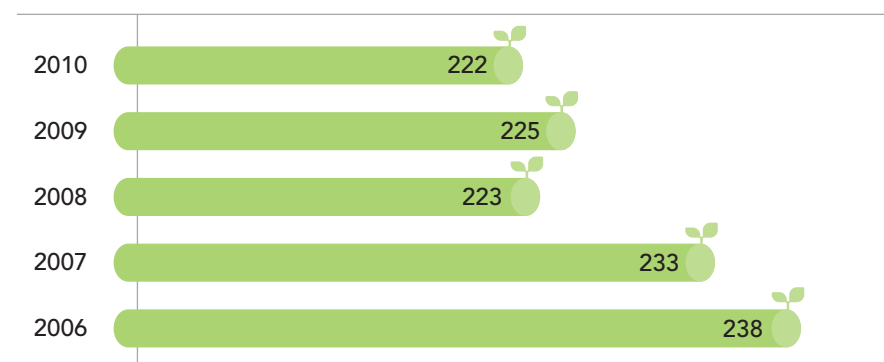
We have explored the viability of renewable energy and supported research and development of new energy technologies in many facets of our business, and currently have renewable-energy system in six commercial, residential and retail properties. These provide electricity for various facilities including water boilers and outdoor lighting. The renewable-energy installations at our mall Grand Century Place, for example, supplies energy to run light-emitting diodes (LEDs) at the outdoor chiller plant at roof level, and is estimated to result in a reduction of 1,073 kg of GHG emissions per year. Millennium City, a grade-A office complex in Kowloon East, was the first commercial building with a renewable-energy system in Hong Kong. It uses energy from a combined solar and wind power system to light the podium car park.

Electricity consumption* (MWh)



* In 51 buildings monitored by the Energy Optimization Committee

Greenhouse gas emissions* (kilotonnes)



* Covers only indirect energy emissions from electricity consumption in 51 buildings monitored by the Energy Optimization Committee

Conserving water resources

We are committed to conserving water resources and have implemented a number of measures to reduce water consumption across our business.

Buildings consume a significant amount of water for various purposes. Individual property site offices are encouraged to draft water conservation plans and record consumption figures. For example, the total water consumption of the 250 buildings managed by Hong Yip was reduced by 9.6% from 1.192 million cubic metres in 2009 to 1.078 million cubic metres in 2010.

We have rainwater collection systems at Kowloon Commerce Centre (KCC), Millennium City, Metroplaza, Villa by the Park and Ocean Shores, and use the water for cleaning and watering plants. To reduce potable water consumption, condensate water from air conditioning systems is used for the cooling tower water supply at ICC and KCC. At ICC this allows for water savings of 10,000 cubic metres annually, which is equal to around four Olympic-size swimming pools. A condensate-water collection system was installed in Millennium City I for floor cleaning and irrigation. A waste-water recycling system was installed in the residential estate Palm Springs for floor cleaning and irrigation.

Reducing waste

Our largest sources of waste come from building construction and our residential properties. At all our residential and commercial properties we provide recycling bins for paper, plastic and cans.

At Sun Hung Kai Centre, food waste is collected. Our APM mall is taking part in a two-year food waste-reduction programme by encouraging tenants to separate food waste at source and recycle. The food waste collected from participating restaurants is processed in the mall's composting facility and converted into fertilizer for the podium garden of the mall and parks in the district. Throughout the two-year period, there will be regular seminars, talks and tours of the composting facility.

Conserving biodiversity

Our commitment to biodiversity and conservation goes beyond regulatory requirements set by the Environmental Impact Assessment Ordinance and the Nature Conservation Policy. Most of our developments are located in urban settings and we do our best to help conserve urban biodiversity by preserving trees, creating vertical gardens and green roofs, and using native plants. Vertical gardens and green roofs can host wildlife, reduce the urban heat island effect and improve the thermal performance of buildings.

We have installed vertical gardens at The Parcville, Woodland Crest, Palm Springs, The Vineyard and Peak One, as well as the office building Millennium City I. Peak One has the largest vertical garden in a Hong Kong residential development and is surrounded by an extensive garden area. It received the gold 2010 Best Landscape Award from the Leisure and Cultural Services Department.

We pay particular attention to the preservation of trees at construction sites and have taken precautions to ensure all construction workers follow our tree conservation policy. During the development of Woodland Crest, over 100 mature trees were conserved as well as 190,000 square feet of natural greenery.

We are committed to using timber and plywood from sustainable sources whenever possible. For example, we have sourced floor timber certified by the Forest Stewardship Council (FSC) and we also use FSC certified paper for printing corporate publications such as annual reports and newsletters, as well as office paper at headquarters.

Sustainable developments

We are committed to reducing the environmental impacts of our developments and aim to acquire recognized green building certification for all new commercial developments. As of December 2010, we had 14 buildings certified under the Hong Kong Building Environmental Assessment Method (BEAM) and three buildings certified under Leadership in Energy and Environmental Design (LEED) in Hong Kong and mainland China. We have 12 buildings certified under the Hong Kong Green Mark Certification Scheme.

The Parcville, a complex of 14 low-density residential towers, was the first residential estate in Hong Kong to receive an 'Excellent' rating from BEAM in 2000. KCC was the first Hong Kong commercial development to achieve LEED gold pre-certification. We will assess the feasibility of achieving BEAM or LEED certification for all our new buildings.

We also ensure that suppliers and contractors follow our environmental policy and standards.

Our 'Guidance Note for Contractors, Consultants and Suppliers' outlines our environmental policy and requests them to adhere to specified principles. Tenders and contracts with suppliers and contractors include an ethical requirement clause to ensure that appropriate consideration is paid to the guidance note. As part of the tender process suppliers and contractors are requested to conduct self-assessments of performance related to professional qualifications, certified quality control and environmental policies and practices.

The Parcville
BEAM Excellent
certification in 2000 –
the first for a Hong Kong
residential estate

Park Island
BEAM
Excellent certification
in 2003

**Kowloon
Commerce Centre**
LEED gold pre-certification
in 2009 –
the first for a Hong Kong
office building

**International
Commerce Centre**
BEAM
Platinum certification
in 2011

Sustainable design and construction - KCC

KCC is a grade-A twin tower office complex in Kowloon West. The first phase was finished in 2008 and the second phase is scheduled for completion in 2013. It was the first Hong Kong commercial development to get LEED gold pre-certification in recognition of the building's environmental and health-related performance.

The building was developed as a commercial property, on a previously industrial site. During the design stage various studies were conducted on daylight availability, ventilation, energy use, electrical and mechanical design, and construction methods. As a result the orientation of building blocks was adjusted to allow for better use of daylight. To maximize natural daylight, extensive curtain walls were installed and the entrance lobby features a ten-metre glass facade.

Recycled materials were used in construction. The piling of the former building was kept for the foundations and as much as 75% of the construction waste has been recycled. Other environmental features include low-emission paints and coatings, sustainable-forest-certified wood for flooring and the Carpet and Rug Institute's green label, which sets limits for the level of VOC emissions from carpets and adhesives that can be released into the indoor air. Carbon sensors installed throughout the building ensure good indoor air quality. KCC's central air conditioning, lifts and other electrical installations meet international energy-efficiency guidelines, lowering power consumption by 15%. Condensate water from air conditioning is reused, reducing waste water output by 50%.

Pioneering environmental innovation in property construction

The Group has pioneered mixed steel-bamboo scaffolding and climb-scaffolds in Hong Kong's construction sector. Since 2002, we have made considerable investments in these innovations. As a result, the use of bamboo at construction sites has been significantly reduced, as well as the amount of bamboo waste being sent to landfill.

In 2003, we introduced the first mechanically operated covers on dump trucks in Hong Kong. These effectively minimize dust during transportation of construction waste and provide a safer working environment for the drivers. We are delighted that the government encouraged other dump truck operators to take similar measures. By January 2010, 1,772 dump trucks had mechanical covers installed.

Case Study: Proven Commitment to Sustainable Building Development

International Commerce Centre (ICC), a mixed-use development, was completed in phases from 2007 to 2010. This is the tallest building in Hong Kong, and its offices boast the highest quality and specifications are well complemented by world-class hotels, serviced suites and a shopping mall, forming a new business hub in the territory. Efforts were made to mitigate the social and environmental impacts associated with the construction process, and the development has achieved BEAM Platinum certification.

Sustainable building operations

From the design and planning stages through to construction, landscaping and property management, environmental features were put in place to ensure ICC maximizes energy efficiency and significantly reduces the amount of GHG emissions associated with its operations.

We initiated a five-year research programme with the Hong Kong Polytechnic University bringing together academics, engineers and our own project professionals to explore innovative technologies. During this partnership we developed and applied an energy optimization air-conditioning control system that collects and analyses data and optimizes the system control according to day-and-night and seasonal variations. This provides crucial baseline information to make adjustments to the air-conditioning system to increase its energy efficiency. In total, energy consumption has been reduced by 15% compared with an average office building, saving a total of 4,900 tonnes of GHG annually. Research findings have been widely published in industry journals and through international conferences. We aim to develop a series of operational guidelines to enable the application of the control system to other new developments.

Other features include:

- An intelligent lift system assigns people going to the same floor to specific cabins, using 12% less power compared with most other systems. This also reduces passengers' waiting time and facilitates integrated security control through the use of smart cards in the lift lobby
- Double-glazed curtain walls with low-emittance coating-window layers that suppress radiative heat flow, reducing the building's air-conditioning load
- Energy-efficient T5 fluorescent lamps and electronic ballasts that reduce energy consumption by 30% compared with T8 lamps
- The latest LED technology for facade lighting, which saves energy and reduces light pollution
- Extra-low-sulphur diesel used for emergency generators in the building, which reduces emissions of GHGs and air pollutants
- High-efficiency water-cooled air-conditioning chillers

The annual electricity saving is equivalent to supplying 6,500 families of four with power for a month.

Other technologies applied include power analysers for major mechanical and electrical systems, variable-frequency drives for pumps and fans, high-efficiency water-cooled air-conditioning chillers, and low drift rate evaporated cooling towers.

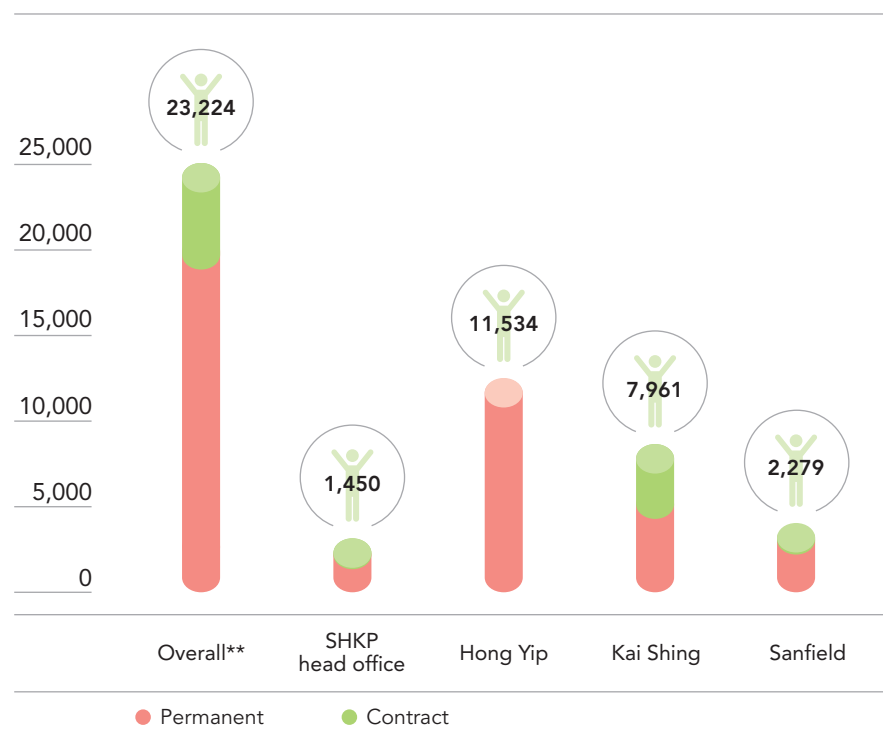
Commitment to Our People

We are one of the largest property companies in Hong Kong and believe that people are central to the success of our business. We emphasize staff development and lifelong learning and value the strength of a diverse workforce.

We pay competitive salaries and provide discretionary performance bonuses to attract and retain talent. Free lunch, medical and retirement benefits and recreational activities are provided to both permanent and contract employees. In addition, staff can apply for mortgages or personal loans at preferential rates.

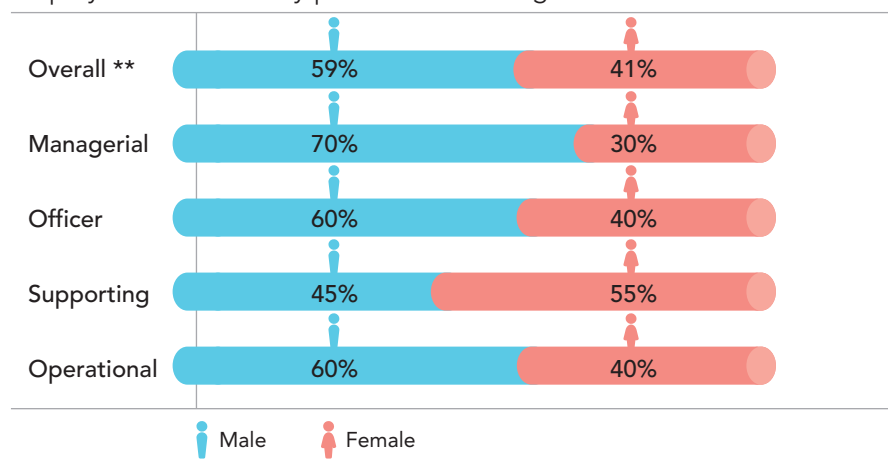
Our employee benefits also extend to the children of employees. Through the SHKP Group Undergraduate Scholarship Scheme we provide sponsorships for children of employees with financial needs to study in Hong Kong or mainland China.

Total workforce by employment type
(number of employees)

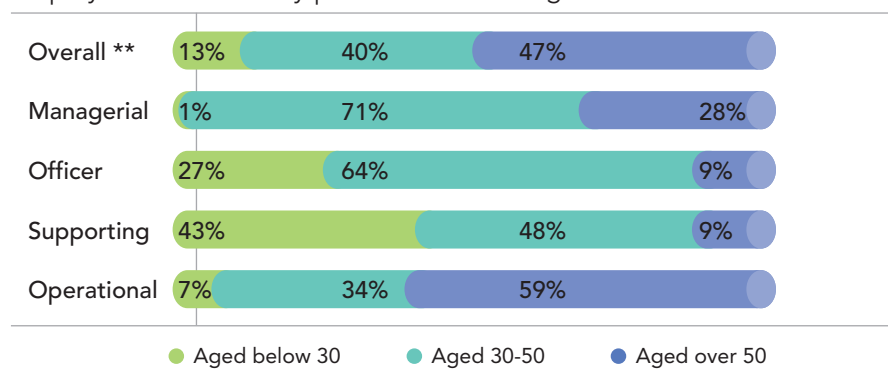


** Overall number includes only the employees covered by the scope of this Report and not the whole group

Employee breakdown by position level and gender



Employee breakdown by position level and age

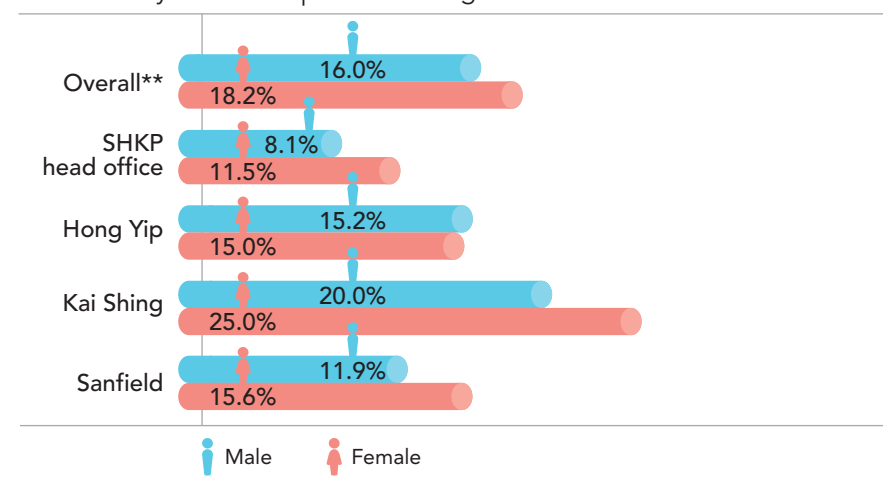


** Overall number includes only the employees covered by the scope of this Report and not the whole group

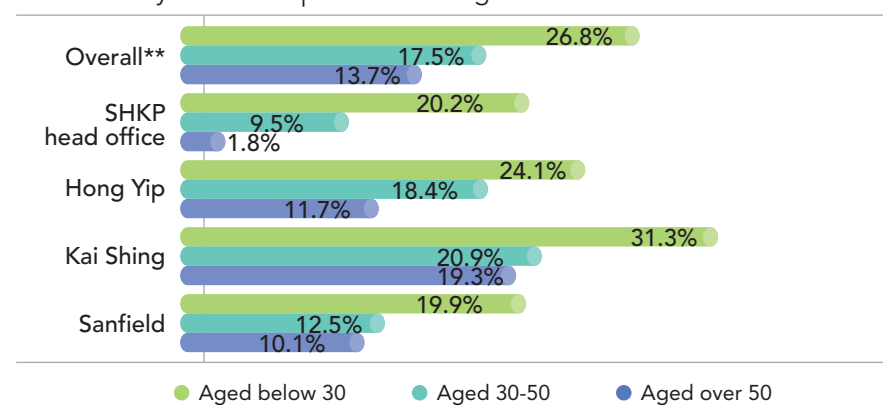
Turnover rate = turnover / headcount x 100

Due to the nature of our business, our construction subsidiary largely employs male staff. In 2010, the overall turnover rate at operations covered by the scope of this Report was 16.9% varying by business operation, with a turnover rate of 9.8% at head office, 15.1% at Hong Yip, 22% at Kai Shing and 12.7% at Sanfield.

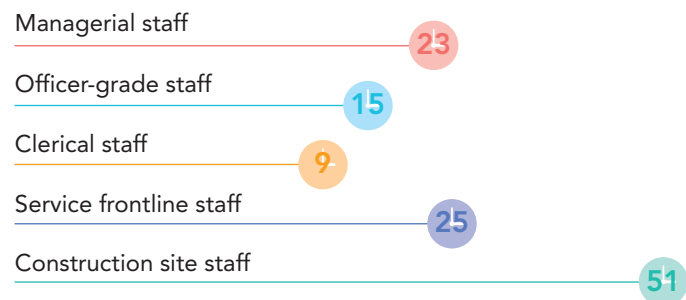
Turnover# by business operation and gender



Turnover# by business operation and age



Average number of training hours in 2010



Helping staff prepare for retirement

We support retiring staff and provide pre-retirement workshops and talks on subjects such as personal financial planning and health. The SHKP Evergreen Club was established in 2004 and it allows retirees to stay in touch with the Group through regular activities and social gatherings. To support staff in their transition from work to retirement, we also offer opportunities for consultancy work within relevant business operations.

Employee development and lifelong learning

We provide development opportunities for staff at all levels. These include internal training, seminars, award programmes and external training sponsorships. Lecturers from the Harvard Business School, business leaders and experts from renowned institutes and universities are often invited to contribute to our staff training. An internal training newsletter is circulated quarterly to keep employees informed of management and supervisory tips, languages, green and technology updates.

A management and leadership training programme has been developed for employees showing high potential. As part of this programme selected managers can attend overseas executive education programmes.

We have also made substantial investments in our training facilities, which include a 180-seat auditorium, a well-equipped training room and a training library. We offered a total of 2,820 training courses and our employees undertook a total of 301,175 training hours in 2010, with topics ranging from management and personal development to specialized training in sales, customer service and public affairs.

All full-time staff receive performance reviews as part of our employee development programme. The reviews are based on meetings between general staff and their supervisors and help in setting personal development plans and performance goals.

“The Management Trainee programme puts focus on developing the individual and participation in training courses is supported by management. In addition, SHKP also invites lecturers and external parties to give talks.”

SHKP Management Trainee Eric Chan

Employee engagement

We encourage communication amongst staff at all levels and facilitate it through recreational activities and informal gathering. Senior management pay informal visits to different business units on a regular basis and our Vice Chairmen and Managing Directors provide corporate-culture training to general staff during their orientation. To keep staff informed of internal developments, events and staff activities, information is available on our intranet and in The SHKP News, our staff newsletter.

We conduct regular staff focus groups and department surveys to better understand employee views and concerns. Our construction subsidiary conducts annual employee surveys to gain feedback on wages, performance bonuses and other rewards, annual appraisal processes, leave and overtime compensation, training and teamwork. Results are analysed and recommendations are submitted to senior management. Going forward we will look to reviewing communication channels with employees in respect of our environmental and social initiatives as well as staff benefits.

“A staff caring team is in place that provides a range of services, including a 24-hour hotline providing third party psychological advice for employees and their families. I look forward to further promotion on the range of services that the team provides.”

SHKP Deputy Manager Wong Wai-tung

Equal opportunities

We make every effort to be an employer of choice and value the strength of a diverse workforce. This is emphasized in our human rights policy, provided to all employees on the Group's intranet. We employ talented and committed individuals from a variety of backgrounds. Utmost importance is placed on equal opportunities and the prohibition of discrimination of any kind in all aspects of employment, including hiring, training and development, job allocation, salary, benefits and performance reviews. We have put in place procedures, training and supervision structures to ensure that the highest standards of equality are upheld throughout our operations.

Occupational health and safety

We are committed to providing a safe and healthy working environment for our employees, with our health and safety policy setting the standard for all our operations. We comply with all regulations and have developed OHSAS 18001-certified occupational health and safety (OHS) management systems. Our policies and management systems are reviewed regularly and we conduct regular OHS training. A total of 117,872 hours of safety training were conducted in 2010.

OHS is a particular priority at our construction sites and we provide training to all employee levels. We had 63 supervisory staff attending a Construction Safety Supervisor Certificate course in 2010 and all workers were required to attend a safety induction course at our training centre as well as on-site specified safety induction training. Training on risk assessment, safety system and toolbox talks are provided weekly on site and whenever there are changes to work processes. Our construction subsidiary held over 15,000 on-site training classes for over 200,000 workers, which included sub-contracted workers in 2010.

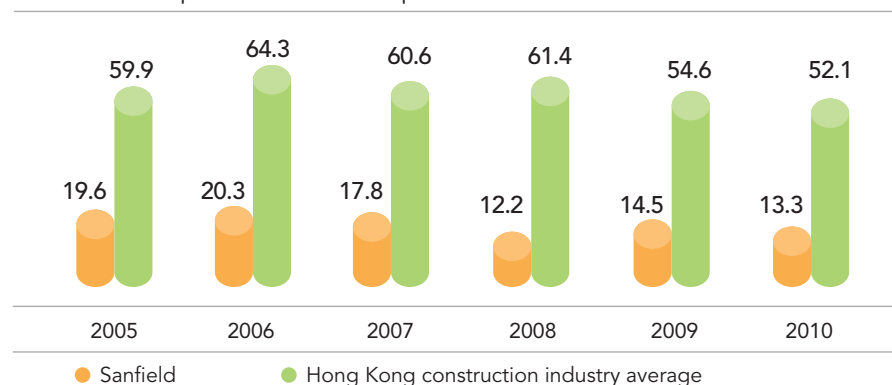
We run a competition that invites employees of each construction site to submit innovative ideas to enhance work safety every three months.

Despite all the risk and safety management processes in place, an accident with six fatalities occurred at the ICC construction site in 2009. We took immediate action and Vice Chairman and Managing Director Thomas Kwok arrived at the scene shortly after the accident and met the media within two hours. He personally offered condolences to the families and the Group subsequently undertook to provide them with unconditional financial relief of HK\$1.2 million each and to bear all funeral expenses. Mr Kwok also ordered a complete halt to construction work at the site and offered full cooperation with the government's investigation.

The ex-gratia payments were distributed to each family the day following the accident. In addition to the ex-gratia payments, the Group committed to pay full university tuition for all the children of the affected families, up to the completion of a first undergraduate degree in Hong Kong. A total of 14 children are included.

After reviews by independent safety consultants as well as representatives from the engineering and academic sectors, the safety standards on all our construction sites have been enhanced.

Accident rate per 1,000 workers per annum in construction



Occupational health and safety data in 2010

Number of staff involved in work-related fatalities	0
Number of staff involved in work-related injuries	771
Lost days due to work-related accidents & disease (occupational)	16,640
Lost days due to other sick leave (not related to work-related injuries)	62,688
Injury rate per 1,000 employees	33.2
Lost day rate per 200,000 working hours	3.3
Absentee rate per 200,000 working hours	46.8

Taking responsibility for our supply chain

As a property developer, we use a significant number of workers at construction sites, employed through contractors. To mitigate labour-related risks, our construction arm works closely with its contractors and has introduced the following practices:

Autopay - To tackle the common problem of non-payment of wages for contract workers, we pioneered an autopay-to-workers-bank-account scheme in 2002 whereby workers at our construction sites receive direct wage payments from subcontractors in order to prevent any malpractice.

Payment monitoring - In cases where direct autopay cannot be enforced contractors are requested to provide payment records for all contract workers, signed by workers to acknowledge wage payments with spot checks to prevent malpractice.

Mandatory Provident Fund (MPF) - After its implementation in 2000, the MPF retirement scheme was perceived by some contract workers as a wage-reduction measure and cases of subcontractors retaining MPF contributions were reported in the industry. In 2007, we installed a system for MPF contributions to be paid to subcontractors as a reimbursement-on-confirmation-of-MPF-subscription, which encourages subcontractors to contribute to MPF funds.

Minimum wage - Contractors are required by contract terms to pay no less than the average market wage to workers. We established an intranet for contractors to keep them informed of the Minimum Wage Ordinance.

Labour insurance and compensation - Requirements for labour insurance and for employees' compensation resulting from occupational injuries are outlined in our tender contracts. Claim procedures are described in manuals which are distributed to all contractors and construction site employees.

We also met with labour unions in 2010 and after a series of consultations with union groups we adjusted wages for cleaners above the government-specified minimum wage guidelines.

Commitment to Our Customers

The Group has an extensive customer base including tenants and owners of residential properties, and commercial tenants in shopping malls, office and industrial buildings. We are dedicated to service excellence and highly value two-way communication with all customers.

Ensuring customer satisfaction

We collect customers' views through our hotlines and public web forum, which are overseen by a dedicated customer service team. Our SHKP Club, which has grown to over 300,000 members, also provides information on new developments and gathers feedback from residential property owners and tenants about our products and services. Furthermore, we regularly conduct surveys, focus groups and customer interviews. All these help us enhance customer service.

Senior management regularly visits our residential estates, shopping centres and office developments setting an example for staff at all levels for proactive customer care.

The cornerstone of our service pledge is the two-year quality guarantee that we provide on new residential units. The guarantee offers buyers comprehensive after-sale service and quality assurance. The handover of every new property is overseen by a designated, inter-departmental Property Handover Team.

“Sun Hung Kai Properties instils confidence in property buyers, particularly first-time buyers. They provide very good after-sale service and are always willing to make repairs or adjustments beyond legal requirements.”

SHKP customer Raymond Lee

Product and service information

We respect customers' right to information and we provide clear details of our property developments in sales brochures and on our corporate website. Customers can also access further relevant information through our corporate brochures, quarterly updates, and The SHKP Club News.

Our disclosure of property information and our sales brochures follow the guidelines issued by the Consumer Council and Real Estate Developers Association of Hong Kong, as well as all requirements specified by relevant government authorities from time to time. To further enhance transparency and give property agents a full understanding of property developments, we devised a new set of sales guidelines in 2010 and conducted training with property agents.

Healthy environments for customers

We are committed to providing customers with healthy and comfortable environments in all our residential and commercial properties. Ensuring good indoor air quality (IAQ) is therefore of high priority. During the planning stage of our properties we conduct various studies to ensure a healthy indoor climate. In 2010, we received 12 IAQ labels under the Hong Kong Awards for Environmental Excellence Scheme, for participants implementing IAQ standards beyond certification requirements.

The IAQ at ICC is monitored by means of an extensive network of carbon detectors and the fresh air intake is adjusted accordingly. Other measures include independent air exhaust outlets installed on floors for pollution control and direct digital controls for air terminal units. The ventilation system has removable service panels to facilitate regular inspection and cleaning.

IAQ is a particular concern in car parks. Where possible we ensure natural air circulation in semi-open facilities. We are also incorporating electric vehicle-charging facilities into our major commercial and residential developments throughout Hong Kong to reduce vehicle emissions. We provided ten charging points in 2010 and are adding more in 2011.

We are concerned about safeguarding public health and in 2010 we equipped 63 sites and commercial properties with defibrillators and trained a total of 1,100 frontline staff on their use.

Equitable access

We believe in providing equitable access to all our facilities and the principle is applied in all our properties at the design stage. We take into account different age groups when designing our shopping malls and have pioneered children's toilets. We also provide extensive baby-care facilities and wheelchair services. We fully comply with statutory requirements regarding the provision of facilities for people with disabilities and, beyond these requirements, we take due consideration for the visually impaired and provide Braille signs at lift panels and tactile guide paths.

We also believe that everyone is entitled to leisure and entertainment regardless of their income and social status. We provide different complimentary services and facilities catering for different income groups at our shopping malls and at our community projects, such as Ma Wan Park. Free access is provided to some of the facilities.

Strict adherence to customer privacy

We take customer privacy issues seriously. We have guidelines in place and a dedicated team that manages our client database in strict accordance with privacy regulations in Hong Kong.

Commitment to Our Community

We are committed to the sustainable development of communities in Hong Kong. With all our developments we seek to make a positive contribution to a better living environment. We also mobilize our employees and extensive network of business partners and customers to help address community needs.

Developing neighbourhoods

We do our best to reduce the impact of our operations on communities. For all our developments, transport and social impact assessments are conducted by external consultants. Dedicated project teams engage with relevant stakeholder groups to ensure negative impacts and disruptions are mitigated and positive contributions based on real community needs are made. These include investments to enhance the neighbourhood and traffic improvements.

At the planning stage of KCC, a working group was set up with representatives from the Company, the Kwai Tsing District Council, Kwai Tsing District Office and the Transport Department to discuss how to minimize negative impacts and maximize positive returns for the local community. Communication with stakeholder groups also helped minimize the operational risks related to the building construction and operation. The stakeholder engagement process revealed the urgent need for improved transport connections in the neighbourhood. To reduce traffic and related road-side emissions in the neighbourhood, KCC is connected to the Mass Transit Railway by a footbridge. The building also provides a dedicated bicycle storage area in the basement to encourage

alternative transportation modes. A beautification project for Tai Lin Pai playground opposite the development also provided the community with valuable recreational facilities.

At ICC we invested in neighbourhood enhancement projects around the development. They included road improvements to alleviate traffic congestion and beautification of a public bridge that went beyond the government's 'Green Master Plan'. The amenity value of public space was further enhanced with artwork, street furniture, greenery and natural-stone paving.

Our community investment principles

- Direct participation with active staff engagement
- Close partnerships with NGOs
- Sustained efforts and long-term community programmes
- Use of company strength, network and expertise

Strategic community engagement

We focus our efforts on five key areas: education, the underprivileged, promoting social harmony, environmental conservation and employee volunteering.

During the financial year 2010/11, we contributed a total of HK\$340 million in charitable donations. In addition to monetary donations, we invest in the community and address social and environmental needs.

We partner with NGOs to organize a variety of community programmes, which are nominated by the CSR team or staff. Following a set of internal guidelines, selected community investment programmes have to address one or more of our key community investment criteria. Priority will be given to proposals that allow active participation by our employee volunteers and that effectively leverage our competencies.

Investing in education for future generations

Education is an important part of our community investment strategy. Through our initiatives we encourage lifelong learning and professional development and aim to create a stronger base of educated people in the Hong Kong community.

The SHKP Book Club was formed in 2005 to promote reading and writing in Hong Kong. We engage non-profit organizations and schools in various territory-wide writing and reading competitions. We have staged three young writers' debut competitions to support budding authors to get first books published, and these have received over 3,000 entries.

Care for the disadvantaged

We started our 'Building Homes with Heart' Caring Initiative in 2010 with the aim of offering immediate financial assistance to the disadvantaged in Hong Kong. The initiative also includes a home renovation project for public housing tenants where financial and renovation-related technical support was provided. This enabled our staff to utilize their professional skills such as painting, floor covering and the installation of fixtures and fittings.

Working with a number of NGOs and government representatives, including District Councils, the Home Affairs Department and the Social Welfare Department, we organized Chinese New Year millennial luncheons for 2,500 elderly persons in Yuen Long and Island East in January 2011. Our volunteer team also distributed lucky bags containing necessities to around 6,000 needy seniors in the territory.

We support community groups by providing free event space and in 2010 we hosted more than 180 charitable events in our major malls. We also lease office space to social organizations either for free or for a nominal fee of HK\$1 per month, examples include SAGE and ORBIS.

"Sun Hung Kai Properties is very proactive in participating in a wide range of community activities and is very supportive of a large number of NGOs and charities."

NGO focus group participant

Promoting social harmony

Ma Wan Park is a non-profit community facility built by the Group and the Hong Kong government and stands out as both a unique contribution to the community and as an innovative business model. The facility is self financing and all surpluses from operations are used to fund maintenance and upgrades.

The Park is being developed in phases, of which the Nature Garden and Noah's Ark are already open. Noah's Ark features many interactive and educational facilities to promote the positive values of love of life, family and nature. It has been developed and operated by the Group along with five NGOs. It won a 2009/10 Outstanding Partnership Project Award presented by the Hong Kong Council of Social Service for sharing expertise and resources in a sustained social project with NGOs.

Contributing to environmental conservation

Environmental conservation is an important pillar in our community investment strategy. We build on our extensive network of residential and commercial properties to promote environmental awareness among the households in our residential estates and tenants in our shopping malls and office and industrial buildings.

We support events concerning environmental protection and energy conservation, including WWF's annual Earth Hour lights-out campaign, Friends of the Earth's Power Smart Contest, Conscientious Recycling Charter and Take a Brake Low Carbon Action, Greenpeace's Carfree Day, and the Environmental Protection Department's Green Reminders Programme.

In 2010, we were one of the developers with the highest participation rate in WWF's Earth Hour campaign mobilizing 150 developments. Park Island, the private housing estate on Ma Wan Island, has run a monthly lights-out campaign since 2009. Various energy efficiency measures implemented throughout the estate enabled a reduction of 660 tonnes of GHG emission in 2010. For tenants at KCC, Millennium City, Metroplaza, Landmark North, and Metropolis Plaza we provide free energy audit services to help them improve energy efficiency.

Mobilizing employees

Employee volunteering is encouraged throughout the Group from top management to frontline employees. We regard it as an important part of our efforts to attract and retain talent and to help address community needs.

The SHKP Volunteer Team has reached 1,800 members and is led by our Vice Chairman and Managing Director Raymond Kwok. The volunteers take part in a wide range of long-term programmes to help diverse community groups such as the elderly, low-income families and people with disabilities. In 2010, the team volunteered over 78,000 hours in the community.

A junior Sunshine Team was set up in 2010 to encourage young people to get involved in volunteer services. Members include children of Group staff.

“Working with local communities brings me a lot of satisfaction and the assistance provided by SHKP volunteers gives the beneficiaries the self confidence to face challenges in life.”

SHKP Volunteer Team Chief Leader Michelle Leung

Global Reporting Initiative (GRI) Index

This Report was prepared using Global Reporting Initiative G3.1 guidelines. These are a voluntary framework to guide organizations reporting on their sustainability performance.

The tables listed on this page include the GRI G3.1 Profile Disclosures and Performance Indicators we addressed in this Report. For indicators we selected to report on, but we did not cover in the report content, we have provided a short commentary.

Page	Contents	GRI Indicator
1	Our Reporting Approach	3.1 – 3.3, 3.5 – 3.8
2	Message from the Vice Chairmen and Managing Directors	1.1
3	Our Business	2.2 – 2.10, 4.12, 4.13, SO5
7	Our Approach to Sustainable Development	1.2, 4.1 – 4.3, 4.8, 4.9
8	Commitment to Our Stakeholders	4.14 – 4.17
11	Commitment to Our Environment	EN4-EN6, EN14, EN16, EN18, SO1
17	Case Study: Proven Commitment to Sustainable Building Development	EC8
18	Commitment to Our People	EC3, LA1-LA3, LA7, LA8, LA10-LA13
24	Commitment to Our Customers	PR1, PR5, PR6
27	Commitment to Our Community	SO1, EC8
30	GRI Index	3.12, 2.1, 3.4
32	Verification Statement	3.13

GRI Indicator		Comment
3.10	Explanation of the effect of any re-statements of information provided in earlier reports, and the reasons for such re-statement	This is our first Sustainability Report and thus this indicator is not relevant
3.11	Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report	This is our first Sustainability Report and thus this indicator is not relevant
EC4	Significant financial assistance received from the government	We did not receive any significant financial assistance from the government
EN23	Total number and volume of significant spills	There were no spills in 2010
LA4	Percentage of employees covered by collective bargaining agreements	None of our employees are covered by collective bargaining agreements
SO3	Percentage of employees trained in organization's anti-corruption policies and procedures	259 employees were trained including office and frontline staff at the three subsidiaries
HR6	Operations identified as having significant risk for incidents of child labour, and measures taken to contribute to the elimination of child labour	There are no operations at risk in Hong Kong for incidents of child labour
HR7	Operations identified as having significant risk for incidents of forced or compulsory labour, and measures to contribute to the elimination of forced or compulsory labour	There are no operations at risk in Hong Kong for incidents of forced or compulsory labour
PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data	There were no substantiated complaints of this kind
PR9	Monetary value of significant fines for noncompliance with laws and regulations concerning the provision and use of products and services	There were no significant fines of this kind

Contact us

We value stakeholder feedback. To provide us your views and comments please contact: sustainability@shkp.com

Verification Statement

The Business Environment Council (BEC) was commissioned by Sun Hung Kai Properties to verify its Sustainability Report 2010. This involved checking the completeness of reporting against the Report scope, the adequacy of data, and the accuracy and credibility of the information presented. Our findings are set out below:

Report scope and completeness of reporting

BEC conducted sample checks of representative group-wide data and claims in the Report through document and data reviews as well as interviews with responsible personnel at the Hong Kong head office. The Report scope includes:

- SHKP's approach to sustainability in managing significant health and safety, social, environmental and economic issues
- SHKP's sustainability framework, case studies of sustainability initiatives, sustainable business strategies, health and safety management, environmental management and social responsibility
- SHKP's strategy in engaging stakeholders and the key points raised during the engagement process

Adequacy and accuracy of data

Indicators in the Report provide a useful insight into SHKP's sustainability performance, which enable readers to compare performance over time. In addition, emerging trends and topical issues are highlighted, which set the scene for SHKP to identify future objectives and targets, as well as communicating SHKP's future direction and strategy regarding sustainability with readers. The methods used and underlying assumptions adopted to calculate quantitative data are adequately explained in the Report. SHKP is proactive in ensuring the accuracy of data and made adjustments whenever deemed necessary. Recommendations to correct minor errors identified during the verification process, and to improve consistency and clarity in the information presented have been incorporated into the Report to BEC's satisfaction.

The Report clearly presents SHKP's economic and business, social, health and safety, and environmental performance, and the extent and relevance of the content is deemed

adequate to meet the needs of target readers. BEC is satisfied that the information presented in this Report is substantiated by the documents and data reviewed and interviews conducted during the verification process.

Opinion

The Report provides a fair and balanced account of SHKP's sustainability commitments, performance and challenges in relation to its core business activities and key markets for the reporting period. BEC considers this Report an accurate and reliable presentation of SHKP's initiatives and achievements towards corporate sustainability in 2010. BEC encourages SHKP to consider the inclusion of the following aspects in the preparation of its future reports:

- To expand the scope of reporting to cover more of its business units in terms of sustainability performance in the Report
- To continue conducting independent stakeholder engagement process with different groups, disclosing the engagement approaches and outcomes, and presenting stakeholders' feedback
- To disclose more environmental and social indicators based on GRI, and report relevant objectives and targets

Signed on behalf of BEC



Dr. Margaret Burnett
Head – Corporate Sustainability
October 2011