Annual Report 2011

Hongkong Land Holdings Limited

Jardine House as seen from The Rotunda, Exchange Square. Both properties are part of Hongkong Land's Central portfolio (front cover).

Jardines
A member of the Jardine Matheson Group

Contents

Hongkong Land is one of Asia's leading property investment, management and development groups. Founded in Hong Kong in 1889, Hongkong Land's business is built on partnership, integrity and excellence.

In Hong Kong, the Group owns and manages some 450,000 sq. m. (five million sq. ft) of prime commercial space that defines the heart of the Central Business District. In Singapore, it has been instrumental in the creation of the city-state's new Central Business District at Marina Bay with the expansion of its joint venture portfolio of new developments. Hongkong Land's properties in these and other Asian centres are recognised as market leaders and house the world's foremost financial, business and luxury retail names.

Hongkong Land develops premium residential properties in a number of cities in the region, principally in China and Singapore where its subsidiary, MCL Land, is a significant developer.

Hongkong Land Holdings Limited is incorporated in Bermuda. It has a premium listing on the London Stock Exchange, and secondary listings in Bermuda and Singapore. The Group's assets and investments are managed from Hong Kong by Hongkong Land Limited. Hongkong Land is a member of the Jardine Matheson Group.

Corporate Information

Directors

Simon Keswick *Chairman*
Ben Keswick *Managing Director*
Y.K. Pang *Chief Executive*
Charles Allen-Jones
Mark Greenberg
Jenkin Hui
Adam Keswick
Sir Henry Keswick
Lord Leach of Fairford
Dr Richard Lee
A.J.L. Nightingale
Lord Powell of Bayswater KCMG
James Watkins
Percy Weatherall
John R. Witt

Company Secretary and Registered Office

John C. Lang
Jardine House
33–35 Reid Street
Hamilton
Bermuda

Hongkong Land Limited

Directors

Ben Keswick *Chairman*
Y.K. Pang *Chief Executive*
R.M.J. Chow
R. Garman
Mark Greenberg
Adam Keswick
D.P. Lamb
N. Leung
James Riley
J.A. Robinson
Giles White
John R. Witt *Chief Financial Officer*
R. Wong

Corporate Secretary

N.M. McNamara

Highlights

- **Strong commercial leasing performance**
- **Lower underlying profit due to fewer Singapore residential completions**
- **Net assets per share up 22% on higher capital values**
- **Prime commercial site secured in Beijing**

Results

	2011 **US$m**	2010 US$m	Change %
Underlying profit attributable to shareholders*	**703**	810	(13)
Profit attributable to shareholders	**5,306**	4,739	12
Shareholders' funds	**24,739**	19,457	27
Net debt	**2,359**	2,358	–

	US¢	US¢	%
Underlying earnings per share	**30.29**	36.02	(16)
Earnings per share	**228.48**	210.70	8
Dividends per share	**16.00**	16.00	–

	US$	US$	%
Net asset value per share	**10.58**	8.64	22

* The Group uses 'underlying profit attributable to shareholders' in its internal financial reporting to distinguish between ongoing business performance and non-trading items, as more fully described in Note 1 to the financial statements. Management considers this to be a key measure which provides additional information to enhance understanding of the Group's underlying business performance.

Chairman's Statement

Overview

The Group's office and retail portfolio in Hong Kong produced strong results, and its growing Singapore portfolio made an increased contribution. This improvement was, however, more than offset by lower profits from its residential business with only one Singapore project completed during the year compared with three last year. Several new development sites were secured in the year, including a prime commercial site in central Beijing and residential sites in Chongqing and Singapore.

Performance

Underlying profit attributable to shareholders for 2011 was US$703 million, 13% below the record result of 2010. Underlying earnings per share decreased by 16%, which also reflected the larger number of issued shares due to the conversion of convertible bonds during the year.

Taking into account the net gains resulting from higher independent valuations of the Group's investment properties, including its share of properties in joint ventures, the profit attributable to shareholders for 2011 was US$5,306 million, compared with US$4,739 million for 2010. Net asset value per share was US$10.58, a 22% increase from the end of 2010.

The Directors are recommending a final dividend of US¢10.00 per share for 2011, providing a total dividend for the year of US¢16.00 per share, unchanged from 2010.

Group Review

In Hong Kong, limited new supply of office space underpinned the market in 2011 against a background of increasing economic uncertainties. Rental reversions were largely positive, particularly in the second half, and vacancy stood at only 2.0% at the year end compared with 2.9% at the end of 2010. The Group's luxury retail portfolio continued to enjoy full occupancy with increasing rents.

In Singapore, where market conditions remained stable, the Group benefited from its first full year's rental income from the initial two towers of Marina Bay Financial Centre. The third tower of this development, which will complete during 2012, is 65% pre-let. At the Group's joint venture office development in Jakarta pre-letting of the fourth tower currently under construction is now some 80%.

In August, a prime site was secured in Wangfujing, Beijing which will be developed as a premier retail centre including a small luxury hotel. The Group also acquired a property portfolio in Cambodia including two sites in Phnom Penh for future development.

On the residential side, a further 23 apartments in the Serenade development in Hong Kong were handed over to buyers in the year. In Macau, at the One Central joint venture, 75 units of the project's final phase, The Residences & Apartments at Mandarin Oriental, were handed over to buyers.

In Singapore, only one residential project, Peak@Balmeg was completed, compared with three projects in 2010. The three new projects launched for sale in 2011 were well received and there was a US$44 million reversal of writedowns previously made in respect of two of the projects. A site for future development was acquired in May.

In mainland China, continuing development profits were earned from 50%-owned Bamboo Grove in Chongqing and 90%-owned Maple Place in Beijing. Mid-year sales launches in Chongqing and Shenyang were well received despite difficult market conditions. However, sales volumes across the market have now decreased significantly in response to various government measures. In December, a 52 hectare site was secured in Chongqing for a premium residential development which is adjacent to the Group's existing Yorkville project.

People

The Group's excellent reputation for the quality of its commercial and residential projects and our ongoing performance reflects the high level of professionalism, commitment and diligence of our staff which is much appreciated.

R.C. Kwok retired from the Board on 12th May 2011. Anthony Nightingale will step down as Managing Director at the end of March 2012, and will remain as a non-executive Director. On behalf of the Board, I would like to thank them for their significant contributions to the Group. We also welcome Ben Keswick, who will join the Board as Managing Director on 1st April 2012, and Adam Keswick, who will become a Director on the same date.

Outlook

General economic uncertainty is likely to have a negative influence on the Group's businesses. In addition, in 2012 the Group has only one residential project scheduled for completion in Singapore and residential sales, particularly in China, may be more challenging. Nevertheless, the Hong Kong portfolio should continue to benefit from the limited supply of new commercial space and the Group's financial and market position is strong.

Simon Keswick
Chairman
1st March 2012

Chief Executive's Review

The Group's well-positioned commercial property portfolio produced an increased contribution in 2011 and significant capital appreciation, but underlying profitability was lower than the previous two years following a reduction in earnings from residential developments which had made record results in both these years.

Business Model and Strategy

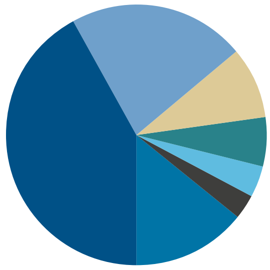
Hong Kong's Central Portfolio

The Group's most important investment is its prime portfolio in the heart of Hong Kong's Central district of some 450,000 sq. m. of Grade A office and luxury retail space. The location of this portfolio and its significant size provides a strong competitive position to the Group. Continued focus on the returns from this portfolio is fundamental to the ongoing success of the Group. While demand for space depends on overall economic conditions, the tenor of the lease arrangements provides some protection against market volatility.

We continue to manage our 12 Grade A office and retail buildings as a large, integrated mixed-use development and look for opportunities to improve their value. In December 2011, we announced that one of these buildings, The Forum in Exchange Square, which was previously retail space, will be redeveloped as a high quality office building. At the same time, significant enhancements will be made to the surrounding Exchange Square Plaza.

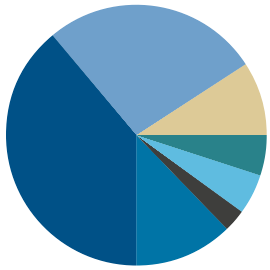
Retail space in the Central portfolio totals 55,000 sq. m. and our objective is to ensure that this continues to be viewed as the most exclusive shopping and dining destination in Hong Kong. In turn, this contributes significantly to the prestige and convenience of the office space, which increases its attraction for premium tenants. The restaurants across the portfolio, several of which have been recognised with Michelin stars, are performing well and are attracting customers to Central throughout the day and in the evenings.

Our intention is to continue to upgrade the office space throughout the portfolio, ensuring it remains the most prestigious within Hong Kong. At the same time, we will seek to grow our rental yields over the long term, recognising the desirability of both the quality of space and of service which it is Hongkong Land's mandate to provide to each of our tenants.



2006

42% Banks and other financial services	
22% Legal	4% Property
9% Accounting	3% Trading
6% Governments	14% Others



2011

39% Banks and other financial services	
27% Legal	5% Property
9% Accounting	3% Trading
5% Governments	12% Others

Central portfolio tenant profile by area occupied

Top five office tenants (in alphabetical order) in 2011
BNP Paribas
Credit Suisse
JPMorgan
KPMG
PricewaterhouseCoopers

Top five retail tenants (in alphabetical order) in 2011
Dickson Concepts
Giorgio Armani
Gucci
Louis Vuitton
Richemont Group

Commercial Property Investments in Asia

Over the past few years, the Group has extended its commercial property interests outside of Hong Kong. Expansion has been based both on the Group's strong financial position and its reputation for quality. To date, the principal focus has been in Singapore where the Group now has attributable interests of 164,000 sq. m. (including its share of properties held through joint ventures). This is principally premium Grade A office space and includes the third tower of Marina Bay Financial Centre which is due for completion in 2012. The intention is also to develop further the Group's portfolio of prime office space in Jakarta which is held by a 50%-owned joint venture. Construction of a fourth office tower of 61,000 sq. m. is on schedule for completion in 2012. In general, our performance in each of these markets depends on the levels of demand for and supply of commercial space, both of which are influenced by the overall economic environment.

We continue to look for attractive high-quality commercial projects throughout Asia which will offer development profits as well as providing investments to be held for long-term returns including capital appreciation. In 2011, we secured an iconic site in Wangfujing located in the heart of Beijing for approximately US$450 million, which we will develop and position as the most prestigious shopping and dining destination in the city. This mixed-use project of some 131,000 sq. m. will also include a small luxury hotel and office component. A property portfolio in Cambodia, principally in Phnom Penh, was also acquired in 2011. Planning has already commenced for development of one of these prime sites as a high quality office and retail complex.

Residential Developments

Based on the Group's experience throughout Asia, a strong and profitable residential business has been established, focusing on premium properties. While our investment in this activity is significantly smaller than our commercial business, the residential projects enhance the Group's overall profits and returns on capital.

Annual returns from residential developments fluctuate due to the nature of the projects and the accounting policy of only recognising profits on sales at completion. Demand is also dependent on overall economic conditions, which can be significantly affected by government policies. While the Group's residential contribution decreased in 2011 compared with the record levels achieved in 2010 and 2009, the residential business remains an important contributor to the Group's overall profits. Ongoing land acquisitions are necessary to continue to build this income stream over the longer term, and in 2011 new sites were acquired in Singapore and in Chongqing, China.

Review of Commercial Property

Hong Kong

While the overall level of demand for office space softened in the final months of 2011, rents rose for most of the year reflecting continuing demand and the limited supply of Grade A office space throughout Hong Kong and in the Central District specifically. Rents reached record levels surpassing those achieved in the last cycle which peaked in mid-2008. As a result, rental reversions were generally positive across the portfolio, particularly in the second half. The average rent in 2011 was HK$87.0 per sq. ft compared with HK$84.3 per sq. ft in 2010, while the office vacancy at the end of 2011 was 2.0% compared with 2.9% a year earlier. This vacancy level is unusually low having been achieved only three times before over the past 20 years. Financial institutions, law firms and accounting firms continue to comprise approximately 75% of the office tenants in the Central portfolio.

Economic uncertainties may reduce demand for office space in 2012 which could affect market rents. Nevertheless, the Group's objective of maintaining positive, or at least neutral, rental reversions is helped by the lower level of rents on existing leases which are expiring or are subject to rent review over the next year compared with current rents.

The Group's retail portfolio in Hong Kong also performed well with strong retail sales creating continued demand for prime space. At the end of 2011, the portfolio was fully occupied, similar to the end of last year. The average retail rent was HK$148.3 per sq. ft, an 8% increase over the 2010 average of HK$137.1 per sq. ft.

Central portfolio

at 31st December 2011

	Office	Retail
Capital value (US$m)	17,615	4,098*
Gross revenue (US$m)	576	188*
Equivalent yield (%)		
– One and Two Exchange Square	4.50	
– The Landmark Atrium		4.50
Average unexpired term of leases (years)	4.1	2.3
Area subject to renewal/review in 2012 (%)	20	35

* includes hotel

Long-term capital appreciation also has an important impact on the Group. During the year, the value of the Group's Hong Kong portfolio increased by 26%, including 7% in the second half, based on independent valuations performed at 31st December 2011. The total value of the portfolio is now US$21.7 billion compared with US$17.3 billion at the end of 2010. This was due to rising rents as capitalisation rates or equivalent yields remained stable from a year earlier.

Singapore

Following an active 2010, overall leasing activity in the Singapore market was significantly lower in 2011 while rents were relatively stable. Nevertheless, Hongkong Land's improved performance benefited from a full year's rental contribution from its one-third share in the first two towers of Marina Bay Financial Centre which were completed in 2010. There is no significant vacancy across the existing portfolio, including the wholly-owned One Raffles Link and the one-third owned One Raffles Quay.

In 2012, the final office tower of Marina Bay Financial Centre will be completed. This 122,000 sq. m. tower has been 65% pre-let with DBS Bank as the largest tenant.

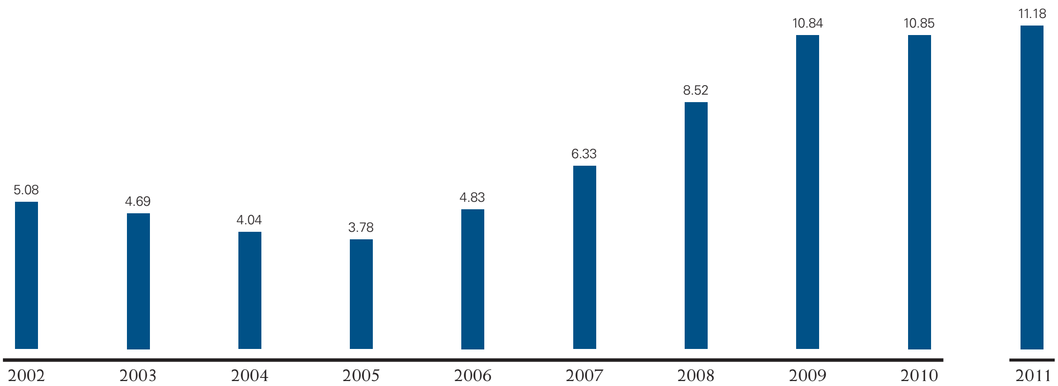
Market conditions are expected to be challenging given the relative weakness in demand for Grade A office space, particularly from the financial services sector, combined with the overall availability of office space in the market. However, there are no significant leases expiring in 2012 across the Group's existing portfolio, and its quality will enable it to maintain a strong competitive position.

Other Commercial Property Investments

In Macau, the retail centre at our 47%-owned joint venture project, One Central, had a strong year benefiting from growing retail sales. The retail mall of some 20,000 sq. m. features the world's leading luxury brands and is considered the preeminent shopping venue in the city. Overall occupancy at the end of 2011 was 93%, including 7% of the space for which contracts are signed but operations have yet to begin. The hotel component of One Central, Mandarin Oriental, Macau, is now firmly established as the most exclusive hotel in the market.

In Jakarta, the Group's 50%-owned joint venture currently owns and manages some 80,000 sq. m. of space in three buildings located prominently in the city's Central Business District. These are 99.7% let. A fourth tower, which is under construction and expected to complete in 2012, is nearly 80% pre-let. Market conditions are generally encouraging, although rental levels remain low compared with other major Asian markets.

The Group has other commercial investment properties in Hanoi, Bangkok and Bermuda, the overall results of which continue to be satisfactory. The two buildings in Hanoi, which are approximately 70% owned, remain fully let at premium rates to the market. In Bangkok, at the Group's 49%-owned luxury retail and office complex, Gaysorn Plaza, trading conditions for the retailers remained challenging. In Bermuda, Jardine Gibbons Property, in which Hongkong Land has a 40% interest, owns four commercial buildings in the centre of Hamilton.



Central portfolio average office effective rent (US$/sq. ft per month)

Review of Residential Property

In 2011, residential markets across the region were affected by both softening buyer sentiment and various government measures to dampen markets after a period of strong growth. The contribution from Hongkong Land's residential business was significantly lower than the record years of 2010 and 2009 which had benefited from the completion of a number of major projects. Despite this, the year was active with eight new projects or phases being launched, comprising three in Singapore and five in mainland China. Two significant site acquisitions were also made to expand the business further.

Hong Kong

At the Group's 97-unit Serenade project, 23 additional units were handed over to buyers in 2011. At the end of the year, there were 41 units remaining which will be released for sale depending on market conditions.

Macau

In Macau, 75 units of the last residential phase of One Central were handed over to buyers. This phase, The Residences & Apartments at Mandarin Oriental, consists of 92 apartments of which 89% have been sold.

Singapore

In 2011, only one project was completed in Singapore, the 180 units of the fully pre-sold Peak@Balmeg. In the previous year, three projects were completed, including the Group's one-third owned project, Marina Bay Residences, which consisted of 428 luxury apartments.

During the year, three new projects were launched for sale by MCL Land, the Group's wholly-owned Singapore-based residential developer. In May, Terrasse was launched and 80% of the 414 units had been sold by the end of the year. Uber 388 was launched at the end of July and 58% of the 95 units were sold in 2011. Both of these projects are scheduled for completion in 2014. In October, the 121 freehold townhouses of Este Villa were released for sale and 120 units had been sold by the end of the year. This project is scheduled for completion in 2013. In addition, construction continued at three other projects which have been fully pre-sold.

The only project which is due for completion in 2012 is Parvis, a 248-unit development held through a 50%-owned joint venture. In 2013, four projects are scheduled for completion. Three are MCL Land projects totalling 794 units, almost all of which have been pre-sold. The fourth is Marina Bay Suites, a one-third owned joint venture which consists of 221 luxury apartments which were 70% pre-sold at the end of 2011.

Planning continues at three other projects which have yet to be launched. This includes a residential site in Pasir Ris which was acquired in May 2011. In total, these projects will provide some 82,000 sq. m. of residential space.

Mainland China

The Group is active in four cities across mainland China and continues to look for opportunities to expand further. Most of the current projects are in what are referred to as second tier cities, which we view as providing attractive long-term opportunities. However, current conditions throughout China are difficult, particularly due to various government measures to cool the residential property market.

In Chongqing, the largest city in western China, the Group now has four projects including a new site which was acquired in December 2011.

At the Group's first project in the city, Bamboo Grove, a 50%-owned joint venture with Longfor Properties, three additional residential phases were completed during the year. Phase 3B consists of 143 townhouses which were 100% pre-sold. Phase 4A is 667 high-rise apartment units in four towers which were all sold and mostly handed over to buyers by the end of 2011. Phase 4B is 1,363 high-rise apartment units in eight towers. Of these, 579 units were handed over to buyers by the end of 2011, and of the remaining units which will be completed in the first quarter of 2012, 53% have been sold. These are the only units which are scheduled for completion in 2012.

Construction of the next phases is progressing well. Phase 5A consists of 624 garden apartments, while Phase 5B is 1,167 high-rise apartment units.

On completion, the Bamboo Grove development will comprise some 1.4 million sq. m. of mainly residential space, including villas, townhouses and apartments. Of this, 570,000 sq. m. have already been developed and sold while 320,000 sq. m. are now under construction.

The Group's second project in Chongqing is Landmark Riverside at Dan Zishi, a 50%-owned joint venture with China Merchants Group established in late 2009. This project will consist of approximately 1.5 million sq. m. residential and some prime retail space built over the 34 hectare site in phases. During 2011, construction of Phase 1 commenced which consists of 1,253 high-rise apartments. Presale of a minor portion of Phase 1 began at the end of December 2011.

The Group's third project is Yorkville at Zhaomushan, near the core area of the new Two-River New Area, which is in the vicinity of the Bamboo Grove development. This wholly-owned project consists of a site of almost 386,000 sq. m. for mainly residential development with a small portion of retail. The total developable area is approximately 880,000 sq. m., which is also being developed in a number of phases. During 2011, construction of the first phase commenced consisting of 324 townhouses.

In December 2011, the Group acquired a 52 hectare site adjacent to the Yorkville project at a cost of approximately US$600 million. The new site is to be developed in phases as a premium residential development, with a total gross floor area of some one million sq. m.

In Chengdu, at the 50%-owned joint venture with KWG Property Holding Group set-up in late 2010, planning is progressing well. The project consists of a site of approximately 190,000 sq. m. which will be used for the development of residential and commercial properties. The total developable area is approximately 900,000 sq. m. with 65% residential, including serviced apartments for strata-sale, and 35% commercial, including office and retail components and a hotel.

In Shenyang, construction continued at two of our 50%-owned residential projects in the city, which are located to the north and south of the Central Business District. At One Capitol, Phase 1A is under construction which consists of 236 townhouses and low-rise apartments of which approximately 51% had been pre-sold by the end of 2011. At Park Life, Phases 2A and 2B are under construction. These consist of 140 townhouses and 234 low-rise apartments, respectively. These have been 53% pre-sold following their launch in mid-2011. Planning at our third project is underway with construction targeted to commence in 2012.

In Beijing, at the Group's 90%-owned project, Maple Place, 20 additional units were handed over to buyers. A further 110 units are available for future sale. These consist of villas, townhouses and apartments with a total area of 26,000 sq. m. Most of the units are currently leased but our intention remains to refurbish and sell these units.

At Central Park, our 40%-owned joint venture with the Vantone Group continues to hold 72 apartments which are being operated as serviced apartments.

Conclusion

The Group is in a strong financial position to deal with the challenging economic conditions which are expected to continue in the foreseeable future. At the same time, given this strength, our extensive network throughout the region and our long experience, there may be significant opportunities for both our commercial and residential businesses.

The results in 2012 will continue to be affected by lower residential profits due to the scheduled timing of project completions. In 2013, however, the Group should see a rebound in residential profits as four projects in Singapore are due to complete. Beyond 2013, we also expect to see growing profits from our residential business in mainland China resulting from the significant investments we have made over the past three years. In the meantime, we continue to monitor market conditions and anticipate that this year will be challenging, particularly in the China residential sector.

Finally, we will continue to ensure that our existing investment properties, in particular the prime portfolio in Hong Kong's Central District, are maintained at the highest standard both in terms of product and service quality for our tenants and customers alike. This is what will protect our strong competitive position over the long term.

Y.K. Pang
Chief Executive
1st March 2012

Financial Review

Accounting Policies

The accounting policies are consistent with those of the previous year. The Directors continue to review the appropriateness of the accounting policies adopted by the Group with regard to developments in International Financial Reporting Standards.

Results

Underlying Profit

The Group's underlying profit attributable to shareholders in 2011 was US$703 million (or US¢30.29 on an earnings per share basis). This result can be analysed between the contribution from Commercial Property, the contribution from Residential Property and unallocated expenses, which include corporate costs, net financing charges and tax. Each of these items includes the Group's share of results from its joint ventures.

	2011 **US$m**	2010 US$m
Commercial property	**759**	686
Residential property	**288**	483
Corporate costs, net financing charges and tax	**(338)**	(313)
Non-controlling interests	**(6)**	(46)
Underlying profit attributable to shareholders	**703**	810
	US¢	US¢
Underlying earnings per share	**30.29**	36.02

In 2011, the contribution from Commercial Property increased by 11% to US$759 million. Rental revenues from the Group's Hong Kong portfolio increased by 4% as the average rent per square foot for both the office and retail space rose due to positive rental reversions.

Growth also came from the Group's commercial property investments in Singapore whose contribution increased by 81%. This was principally because the Group benefited from a full year of income from its one-third interest in the first two towers at Marina Bay Financial Centre. The first two towers opened in 2010, and construction of the third tower will be completed in the first half of 2012.

The contribution from Residential Property decreased by 40% to US$288 million from 2010 due to fewer project completions, specifically in Singapore.

In Singapore, only one project was completed during the year, the Peak@Balmeg (180 units) which had been entirely pre-sold prior to completion. In addition, the Group benefited from a US$44 million (2010: US$51 million) reversal of writedowns previously made in respect of two residential projects, Este Villa and Uber 388, following the successful launches of these projects in 2011. The Group continues to carry writedowns of approximately US$100 million, which were originally made in 2008, in respect of other development projects owned by MCL Land, its wholly-owned Singapore residential developer.

In Hong Kong, profits were also derived from further sales of 23 apartments which were handed over to buyers at the 97-unit Serenade development. In Macau, the Group benefited from its share of the profit from 75 units which were handed over to buyers at the final residential component of One Central, Macau – The Residences & Apartments at Mandarin Oriental. On the Mainland, profits were principally generated from sales at the 90%-owned Maple Place in Beijing (20 units) and at the 50%-owned Bamboo Grove development in Chongqing (1,384 units).

In 2010, the record contribution of US$483 million came from across the broad geographic base of the Group's residential business. It included the results from the completion of two MCL Land projects, Waterfall Gardens (132 units) and D'Pavilion (50 units), as well as the contribution from the Group's one-third interest in Marina Bay Residences (428 units) which had all been pre-sold. In Hong Kong, it principally included the sale of 33 apartments of the Serenade, while on the Mainland it was mainly due to ongoing sales at Bamboo Grove and Maple Place.

Net financing charges in 2011, including the Group's share of net financing charges within joint ventures, remained steady at US$97 million compared to US$95 million in 2010. While the Group benefited from lower interest costs due to the conversion of a significant number of convertible bonds, particularly at the beginning of the year, this was offset by higher facility fees and a higher interest cost at the joint venture level due to the completion of the first phase of Marina Bay Financial Centre. During construction, interest costs had been capitalised.

The average interest rate on Group borrowings was 2.6% in 2011, compared to 2.8% in 2010. The average interest rate on Group deposits was 0.5% in 2011, compared with 0.7% in 2010.

The Group's underlying tax charge, including the Group's share of joint ventures, increased to US$190 million from US$163 million in 2010. The Group's effective tax rate was 16.8%, compared with 15.9% in 2010.

Non-Trading Gains

In 2011, the Group had non-trading gains of US$4.6 billion compared with US$3.9 billion in 2010. These arose on revaluations of the Group's investment properties, including its share of joint ventures, which were performed at 31st December 2011 by independent valuers.

The most significant increase in valuations came from the Group's Hong Kong portfolio in Central. This increased in value by 26% to US$21.7 billion (2010: US$17.3 billion) as a result of increasing rents. Capitalisation rates, or equivalent yields, were principally unchanged from those used in the valuations as at 31st December 2010.

Cash Flows

The Group's consolidated cash flows are summarised as follows:

	2011 US$m	2010 US$m
Operating activities		
Operating profit, excluding non-trading items	**832**	881
Net interest paid	**(57)**	(52)
Tax paid	**(118)**	(170)
Dividends received from joint ventures	**58**	272
Purchase of sites for residential development	**(373)**	(454)
Other	**89**	213
	431	690
Investing activities		
Major renovations capex	**(51)**	(34)
Funding of joint ventures	**(257)**	(213)
Additional 20% interest purchased in Shenyang joint venture	**–**	(80)
Loan repayments from joint ventures	**111**	275
Development expenditure – Wangfujing site, China	**(93)**	–
– Phnom Penh properties, Cambodia	**(34)**	–
Other	**(6)**	(2)
	(330)	(54)
Financing activities		
Dividends paid by the Company	**(371)**	(358)
Purchase of additional interest in MCL Land	**–**	(160)
Other	**(129)**	23
	(500)	(495)
Net (decrease)/increase in cash and cash equivalents	**(399)**	141
Cash and cash equivalents at 1st January	**1,366**	1,225
Cash and cash equivalents at 31st December	**967**	1,366

In 2011, cash flows from operating activities were US$431 million, compared with US$690 million in 2010. While the Group's operating profit, excluding non-trading items was US$49 million lower than in 2010, the decrease in cash flows was primarily due to lower dividends received from joint ventures. In 2010, the Group benefited from significant dividends following residential completions at One Central, Macau and at Marina Bay Residences in Singapore. In 2011, the Group's subsidiaries paid US$373 million in respect of the purchase of sites for future residential development, compared with US$454 million in 2010. This included MCL Land's purchase of a site in Pasir Ris, Singapore for US$210 million. Additional land payments were also made for the Group's residential sites in mainland China.

Under investing activities in 2011, the Group had outlays of US$330 million, up from US$54 million in 2010. These included US$51 million of capital expenditure related to major renovations, principally in respect of the Hong Kong Central portfolio, and US$257 million to fund construction at both the Group's one-third owned Marina Bay Financial Centre project in Singapore and its various joint venture projects in mainland China. Also, under investment activities, the Group received US$111 million of loan repayments from joint ventures, including US$55 million from One Central, Macau and US$46 million from Bamboo Grove, compared with US$275 million in 2010. The repayments in 2010 resulted from the refinancing of One Raffles Quay in Singapore.

The Group acquired several sites for the development of commercial property for investment. A site in Wangfujing, Beijing was secured and US$93 million was paid in 2011 out of the total site cost of some US$450 million. Four sites in Cambodia were purchased for US$34 million and it is expected that the purchase of a fifth site in Cambodia, in Siem Reap, will be completed in 2012 for US$2 million. In 2010, investing activities included US$213 million to fund construction at various joint ventures in Singapore, Macau and mainland China and US$80 million to purchase an additional 20% interest in the Group's Shenyang joint venture.

Under financing activities, the Company paid dividends of US$371 million, being the final 2010 dividend of US¢10.00 and the 2011 interim dividend of US¢6.00. In 2010, the Group spent US$160 million on purchasing an additional 22.6% interest in MCL Land pursuant to its privatisation and exit offer to the minorities. This was completed in early 2011 and MCL Land is now a wholly-owned subsidiary of Hongkong Land.

The Group's year end cash and cash equivalents totalled US$1.0 billion compared with US$1.4 billion in 2010. At 31st December 2011, the Group's net debt was US$2.4 billion, unchanged from US$2.4 billion at the beginning of the year.

Dividends

The Board is recommending an unchanged final dividend of US¢10.00 per share for 2011 that will maintain the full-year dividend at US¢16.00 per share. The final dividend will be payable on 16th May 2012, subject to approval at the Annual General Meeting to be held on 9th May 2012, to shareholders on the register of members at the close of business on 16th March 2012. No scrip alternative is being offered in respect of the dividend.

Treasury Policy

The Group manages its treasury activities within established risk management objectives and policies using a variety of techniques and instruments. The main objectives are to manage exchange, interest rate and liquidity risks and to provide a degree of certainty in respect of costs. The investment of the Group's cash balances is managed so as to minimise risk while seeking to enhance yield.

The Group's Treasury operations are managed as cost centres and are not permitted to undertake speculative transactions unrelated to underlying financial exposures. Appropriate credit guidelines are in place to manage counterparty credit risk.

When economically sensible to do so, borrowings are taken in local currencies to hedge foreign currency exposures on investments. A portion of borrowings is denominated in fixed rates. Adequate headroom in committed facilities is maintained to facilitate the Group's capacity to pursue new investment opportunities.

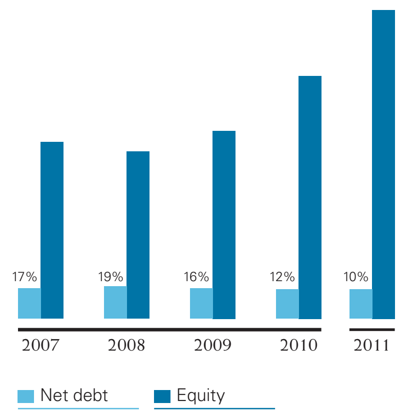
Funding

The Group is well financed with strong liquidity and gearing of 10%, down from 12% in 2010. The decrease in gearing was due to the higher shareholders' funds resulting from the increase in value of investment properties. Interest cover, calculated as the underlying operating profits, including the Group's share of joint ventures' operating profits, divided by net financing charges including the Group's share of joint ventures' net financing charges, was strong at 10.3 times, compared with 11.7 times in 2010.

Year-end debt summary*

	2011 US$m	2010 US$m
US$ convertible bonds	**57**	373
US$ bonds/notes	**1,151**	1,707
US$ bank loans	**–**	1
HK$ bonds/notes	**609**	530
HK$ bank loans	**673**	335
S$ bonds/notes	**446**	449
S$ bank loans	**391**	330
Gross debt	**3,327**	3,725
Cash	**968**	1,367
Net debt	**2,359**	2,358

* Before currency swaps



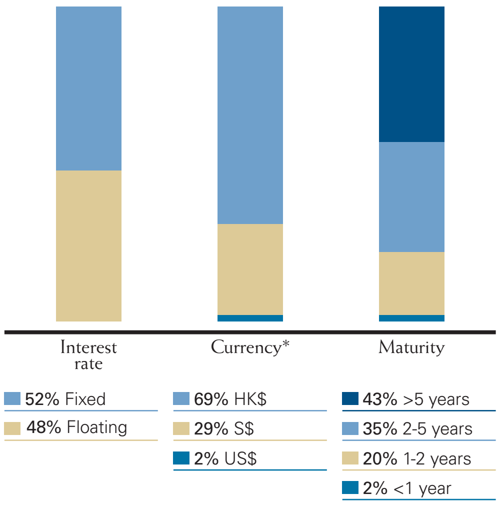
Net debt as a percentage of equity

Both Moody's and Standard & Poor's have maintained their credit ratings of Hongkong Land Holdings Limited at A3 and A- respectively.

During the year, the Group refinanced a syndicated facility of S$800 million with facilities from eight relationship banks totalling S$1.12 billion. A term of five years applies to S$870 million and a term of seven years applies to the remaining S$250 million. The Group also issued US$65 million of bonds under its US$3.0 billion Medium Term Note programme, with maturities ranging from 15 to 20 years. Also, US$336 million of the Group's 2.75% convertible bonds due in December 2012 were converted into equity leaving US$58 million outstanding at 31st December 2011.

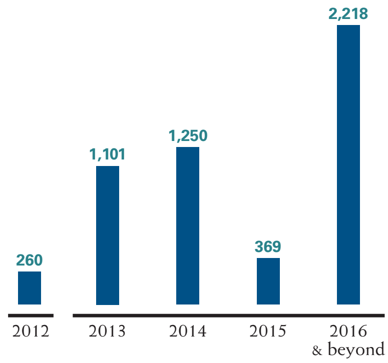
The average tenor of the Group's debt was 5.3 years at 31st December 2011, compared with 5.2 years at the end of 2010.

At the end of 2011, the Group had total committed lines of approximately US$5.2 billion. Of these lines, 57% was sourced from banks with the remaining 43% from capital markets. The Group had drawn US$3.3 billion from these lines leaving US$1.9 billion of committed, but unused facilities. Adding the Group's year-end cash balances, the Group had overall liquidity at 31st December 2011 of US$2.9 billion. This is in line with the Group's overall liquidity at 31st December 2010 of US$3.0 billion (after excluding the proceeds of the early refinancing in 2010 of the US$600 million bonds due in early May 2011).



* After currency swaps

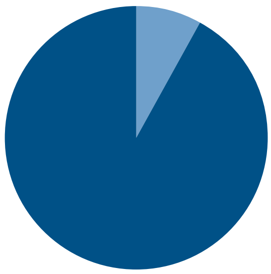
Debt profile at 31st December 2011



Committed facility maturity at 31st December 2011 (US$m)

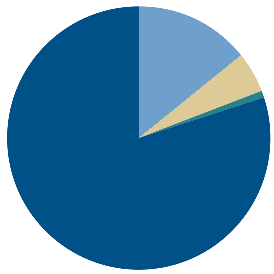
Gross Assets

The Group's gross assets, including its share of joint ventures, (excluding cash balances) is analysed below, by activity and by location.



92% Commercial
8% Residential

By activity



80% Hong Kong
5% Mainland China
14% Southeast Asia
1% Macau

By location

Principal Risks and Uncertainties

A review of the principal risks and uncertainties facing the Group is set out on page 68.

John R. Witt
Chief Financial Officer
1st March 2012

Directors' Profiles

Simon Keswick Chairman

Mr Simon Keswick has been a Director of the Group's holding company since 1983. He was Chairman from 1983 to 1988 and was subsequently re-appointed in 1989. He joined the Jardine Matheson group in 1962 and is also chairman of Dairy Farm and Mandarin Oriental, and a director of Jardine Lloyd Thompson, Jardine Matheson and Jardine Strategic.

Ben Keswick* Managing Director

Mr Ben Keswick joined the Board as Managing Director in April 2012. He has held a number of executive positions since joining the Jardine Matheson group in 1998, including finance director and then chief executive officer of Jardine Pacific between 2003 and 2007 and, thereafter, group managing director of Jardine Cycle & Carriage until March 2012. He has an MBA from INSEAD. Mr Keswick is chairman of Jardine Matheson Limited and Jardine Cycle & Carriage, and a commissioner of Astra and United Tractors. He is also managing director of Dairy Farm, Jardine Matheson, Jardine Strategic and Mandarin Oriental, and a director of Jardine Pacific and Jardine Motors.

Y.K. Pang* Chief Executive

Mr Pang joined the Board and was appointed Chief Executive of the Group in 2007. He previously held a number of senior executive positions in the Jardine Matheson group, which he joined in 1984. He is a director of Jardine Matheson Limited, Jardine Matheson and Jardine Matheson (China) Limited. He is also chairman of the Employers' Federation of Hong Kong and vice chairman of the Hong Kong General Chamber of Commerce.

John R. Witt* Chief Financial Officer

Mr Witt joined the Board as Chief Financial Officer in 2010. He is a Chartered Accountant and has an MBA from INSEAD. He has been with the Jardine Matheson group since 1993 during which time he has held a number of senior finance positions. Most recently, he was the chief financial officer of Mandarin Oriental.

Charles Allen-Jones

Mr Allen-Jones joined the Board in 2001. He was formerly senior partner of Linklaters, where he had been a partner for 33 years until 2001. Mr Allen-Jones is a non-executive director of Jardine Strategic and Caledonia Investments and vice chairman of the Council of the Royal College of Art.

Mark Greenberg

Mr Greenberg joined the Board in 2006. He is group strategy director of Jardine Matheson. He had previously spent 16 years in investment banking with Dresdner Kleinwort Wasserstein in London. He is also a director of Jardine Matheson Limited, Dairy Farm, Jardine Cycle & Carriage and Mandarin Oriental, and a commissioner of Astra and Bank Permata.

Jenkin Hui

Mr Hui joined the Board in 1994 and is a director of Jardine Matheson, Jardine Strategic, Central Development and a number of property and investment companies.

Adam Keswick

Mr Adam Keswick joined the Board in April 2012. He is deputy managing director of Jardine Matheson, chairman of Jardine Pacific, and chairman and chief executive of Jardine Motors. He has held a number of executive positions since joining the Jardine Matheson group from N M Rothschild & Sons in 2001, including group strategy director and, thereafter, group managing director of Jardine Cycle & Carriage between 2003 and 2007. Mr Keswick is also deputy chairman of Jardine Matheson Limited, and a director of Dairy Farm, Jardine Strategic, Mandarin Oriental and Rothschilds Continuation.

Sir Henry Keswick

Sir Henry first served on the Board of the Group's holding company between 1970 and 1975 and was re-appointed a Director in 1988. He is chairman of Jardine Matheson, having first joined the group in 1961, and is also chairman of Jardine Strategic. He is a director of Dairy Farm and Mandarin Oriental. He is also vice chairman of the Hong Kong Association.

* Executive Director

Lord Leach of Fairford

Lord Leach has been a Director of the Group's holding company since 1985. He is deputy chairman of Jardine Lloyd Thompson, and a director of Dairy Farm, Jardine Matheson, Jardine Strategic, Mandarin Oriental and Rothschilds Continuation. He joined the Jardine Matheson group in 1983 after a career in banking and merchant banking.

Dr Richard Lee

Dr Lee joined the Board in 2003. Dr Lee's principal business interests are in the manufacturing of textiles and apparel in Southeast Asia, and he is the chairman of TAL Apparel. He is also a director of Jardine Matheson and Mandarin Oriental.

A.J.L. Nightingale

Mr Nightingale joined the Board in 2006 and was Managing Director of the Company from 2006 to March 2012. He held a number of senior positions since first joining the Jardine Matheson group in 1969 until his retirement from executive office in March 2012. He is also a director of Dairy Farm, Jardine Cycle & Carriage, Jardine Matheson, Jardine Strategic and Mandarin Oriental, and a commissioner of Astra. Mr Nightingale is also a member of the Commission on Strategic Development, a member of the Committee on Strategic Enhancement of Hong Kong as an International Financial Centre, a vice president of The Real Estate Developers Association of Hong Kong, a council member of the Employers' Federation of Hong Kong, a Hong Kong representative to the APEC Business Advisory Council, a member of Chongqing Mayor's International Economic Advisory Council and a member of the UK ASEAN Business Council Advisory Panel. He is also chairman of The Sailors Home and Missions to Seamen in Hong Kong.

Lord Powell of Bayswater KCMG

Lord Powell rejoined the Board in 2008, having first served as a Director between 1992 and 2000. He was previously Private Secretary and adviser on foreign affairs and defence to British Prime Ministers, Baroness Thatcher and Rt Hon John Major. He is a director of Caterpillar, LVMH Moët Hennessy Louis Vuitton, Matheson & Co, Mandarin Oriental, Capital Generation Partners, Textron Corporation, Schindler Holding, Northern Trust Global Services and Magna Holdings. He is co-chairman of the UK Government's Asia Task Force and was previously president of the China-Britain Business Council and chairman of the Singapore-British Business Council.

James Watkins

Mr Watkins joined the Board in 2009. He was a director and group general counsel of Jardine Matheson from 1997 to 2003. Mr Watkins qualified as a solicitor in 1969 and was formerly a partner of Linklaters. He is also a director of Advanced Semiconductor Manufacturing Corporation, Asia Satellite Telecommunications Holdings, Global Sources, IL&FS India Realty Fund II, Jardine Cycle & Carriage and Mandarin Oriental.

Percy Weatherall

Mr Weatherall joined the Board in 1994 and was Managing Director from 2000 to 2006. He first joined the Jardine Matheson group in 1976 and retired from executive office in 2006. He is also a director of Dairy Farm, Jardine Matheson, Jardine Strategic and Mandarin Oriental. He is chairman of Corney and Barrow.

1st April 2012

Consolidated Profit and Loss Account

for the year ended 31st December 2011

	Note	2011 Underlying business performance US$m	2011 Non-trading items US$m	2011 Total US$m	2010 Underlying business performance US$m	2010 Non-trading items US$m	2010 Total US$m
Revenue	5	**1,223.7**	**–**	**1,223.7**	1,340.6	–	1,340.6
Net operating costs	6	**(392.0)**	**–**	**(392.0)**	(459.2)	–	(459.2)
		831.7	**–**	**831.7**	881.4	–	881.4
Change in fair value of investment properties	11	**–**	**4,382.7**	**4,382.7**	–	3,197.6	3,197.6
Asset impairment provisions, reversals and disposals	11	**–**	**–**	**–**	–	0.1	0.1
Operating profit		**831.7**	**4,382.7**	**5,214.4**	881.4	3,197.7	4,079.1
Financing charges		**(99.7)**	**–**	**(99.7)**	(112.3)	–	(112.3)
Financing income		**33.2**	**–**	**33.2**	35.2	–	35.2
Net financing charges	7	**(66.5)**	**–**	**(66.5)**	(77.1)	–	(77.1)
Share of results of associates and joint ventures	8	**76.3**	**221.7**	**298.0**	173.9	731.4	905.3
Profit before tax		**841.5**	**4,604.4**	**5,445.9**	978.2	3,929.1	4,907.3
Tax	9	**(133.6)**	**(0.9)**	**(134.5)**	(122.8)	0.7	(122.1)
Profit after tax		**707.9**	**4,603.5**	**5,311.4**	855.4	3,929.8	4,785.2
Attributable to:							
Shareholders of the Company		**703.4**	**4,603.0**	**5,306.4**	810.2	3,929.2	4,739.4
Non-controlling interests		**4.5**	**0.5**	**5.0**	45.2	0.6	45.8
		707.9	**4,603.5**	**5,311.4**	855.4	3,929.8	4,785.2

	Note	2011 US¢	2010 US¢
Earnings per share	10		
– basic		**228.48**	210.70
– diluted		**227.13**	202.30

Consolidated Statement of Comprehensive Income

for the year ended 31st December 2011

	Note	2011 US$m	2010 US$m
Profit for the year		**5,311.4**	4,785.2
Revaluation of other investments	*14*	**(10.7)**	11.0
Net actuarial (loss)/gain on employee benefit plans		**(4.6)**	0.2
Net exchange translation differences		**36.9**	59.1
Cash flow hedges			
– net loss arising during the year		**(1.2)**	(17.1)
– transfer to profit and loss		**5.8**	7.2
		4.6	(9.9)
Share of other comprehensive income of associates and joint ventures		**2.8**	80.8
Tax relating to components of other comprehensive income	*9*	**(0.2)**	1.1
Other comprehensive income for the year		**28.8**	142.3
Total comprehensive income for the year		**5,340.2**	4,927.5
Attributable to:			
Shareholders of the Company		**5,335.2**	4,870.4
Non-controlling interests		**5.0**	57.1
		5,340.2	4,927.5

Consolidated Balance Sheet

at 31st December 2011

	Note	At 31st December 2011 US$m	2010 US$m
Net operating assets			
Tangible assets	12		
Investment properties		**22,529.9**	18,036.0
Others		**5.3**	4.2
		22,535.2	18,040.2
Associates and joint ventures	13	**3,551.8**	3,177.7
Other investments	14	**48.6**	59.2
Deferred tax assets	15	**5.5**	7.1
Pension assets	16	**6.4**	10.6
Non-current debtors	18	**72.0**	51.5
Non-current assets		**26,219.5**	21,346.3
Properties for sale	17	**1,521.2**	1,184.4
Current debtors	18	**313.5**	245.1
Current tax assets		**1.5**	–
Bank balances	19	**967.9**	1,366.7
Current assets		**2,804.1**	2,796.2
Current creditors	20	**(746.3)**	(723.4)
Current borrowings	21	**(58.0)**	(859.7)
Current tax liabilities		**(82.5)**	(69.2)
Current liabilities		**(886.8)**	(1,652.3)
Net current assets		**1,917.3**	1,143.9
Long-term borrowings	21	**(3,269.2)**	(2,864.8)
Deferred tax liabilities	15	**(59.4)**	(54.8)
Non-current creditors	20	**(44.4)**	(93.1)
		24,763.8	19,477.5
Total equity			
Share capital	22	**233.8**	225.1
Revenue and other reserves		**24,504.7**	19,231.5
Shareholders' funds		**24,738.5**	19,456.6
Non-controlling interests		**25.3**	20.9
		24,763.8	19,477.5

Approved by the Board of Directors on 1st March 2012

A.J.L. Nightingale
Y.K. Pang
Directors

Consolidated Statement of Changes in Equity

for the year ended 31st December 2011

	Note	Attributable to shareholders of the Company							Attributable to non-controlling interests	Total equity
		Share capital	Share premium	Revenue reserves	Capital reserves	Hedging reserves	Exchange reserves	Total		
		US$m	US$m	US$m	US$m	US$m	US$m	US$m	US$m	US$m
2011										
At 1st January		**225.1**	**5.3**	**18,900.7**	**62.5**	**(16.2)**	**279.2**	**19,456.6**	**20.9**	**19,477.5**
Total comprehensive income		**–**	**–**	**5,291.9**	**–**	**2.5**	**40.8**	**5,335.2**	**5.0**	**5,340.2**
Dividends paid by the Company	23	**–**	**–**	**(372.5)**	**–**	**–**	**–**	**(372.5)**	**–**	**(372.5)**
Dividends paid to non-controlling shareholders		**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(0.6)**	**(0.6)**
Issue of shares		**8.7**	**310.5**	**–**	**–**	**–**	**–**	**319.2**	**–**	**319.2**
Transfer		**–**	**–**	**61.0**	**(61.0)**	**–**	**–**	**–**	**–**	**–**
At 31st December		**233.8**	**315.8**	**23,881.1**	**1.5**	**(13.7)**	**320.0**	**24,738.5**	**25.3**	**24,763.8**
2010										
At 1st January		224.9	–	14,504.6	63.4	(7.4)	150.6	14,936.1	135.4	15,071.5
Total comprehensive income		–	–	4,750.6	–	(8.8)	128.6	4,870.4	57.1	4,927.5
Dividends paid by the Company	23	–	–	(359.9)	–	–	–	(359.9)	–	(359.9)
Dividends paid to non-controlling shareholders		–	–	–	–	–	–	–	(8.1)	(8.1)
Issue of shares		0.2	5.3	–	–	–	–	5.5	–	5.5
Change in interests in subsidiaries		–	–	4.5	–	–	–	4.5	(163.5)	(159.0)
Transfer		–	–	0.9	(0.9)	–	–	–	–	–
At 31st December		225.1	5.3	18,900.7	62.5	(16.2)	279.2	19,456.6	20.9	19,477.5

The comprehensive income included in revenue reserves comprises profit attributable to shareholders of US$5,306.4 million (2010: US$4,739.4 million), net fair value loss on other investments of US$10.7 million (2010: gain of US$11.0 million) and net actuarial loss on employee benefit plans of US$3.8 million (2010: gain of US$0.2 million). Cumulative net fair value gain on other investments and net actuarial loss on employee benefit plans amounted to US$8.8 million (2010: US$19.5 million) and US$3.0 million (2010: gain of US$0.8 million), respectively.

Consolidated Cash Flow Statement

for the year ended 31st December 2011

	Note	2011 US$m	2010 US$m
Operating activities			
Operating profit		**5,214.4**	4,079.1
Depreciation	6	**1.7**	1.1
Reversal of writedowns on development properties held for sale	6	**(44.2)**	(50.9)
Change in fair value of investment properties		**(4,382.7)**	(3,197.6)
Asset impairment provisions, reversals and disposals		**–**	(0.1)
Increase in properties for sale		**(298.8)**	(296.6)
(Increase)/decrease in debtors, prepayments and others		**(70.7)**	79.3
Increase in creditors and accruals		**33.2**	26.1
Interest received		**35.8**	38.2
Interest and other financing charges paid		**(93.0)**	(90.2)
Tax paid		**(117.4)**	(169.7)
Dividends from associates and joint ventures		**58.0**	271.7
Cash flows from operating activities		**336.3**	690.4
Investing activities			
Major renovations expenditure		**(50.8)**	(34.6)
Developments capital expenditure		**(38.3)**	(0.2)
Investments in and loans to associates and joint ventures		**(146.2)**	(17.9)
Purchase of other investments		**–**	(2.0)
Cash flows from investing activities		**(235.3)**	(54.7)
Financing activities			
Drawdown of borrowings		**1,068.1**	1,404.2
Repayment of borrowings		**(1,193.4)**	(1,380.6)
Change in interests in subsidiaries	24	**–**	(159.9)
Repayment to non-controlling shareholders		**(6.1)**	(11.1)
Dividends paid by the Company		**(370.9)**	(358.2)
Dividends paid to non-controlling shareholders		**(0.6)**	(7.8)
Cash flows from financing activities		**(502.9)**	(513.4)
Effect of exchange rate changes		**2.9**	18.4
Net (decrease)/increase in cash and cash equivalents		**(399.0)**	140.7
Cash and cash equivalents at 1st January		**1,365.7**	1,225.0
Cash and cash equivalents at 31st December	24	**966.7**	1,365.7

Notes to the Financial Statements

1 Principal Accounting Policies

Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards, including International Accounting Standards and Interpretations adopted by the International Accounting Standards Board. The financial statements have been prepared under the historical cost convention except as disclosed in the accounting policies below.

Standards, amendments and interpretations effective in 2011 which are relevant to the Group's operations

Revised IAS 24	Related Party Disclosures
Amendment to IAS 32	Classification of Rights Issues
Amendments to IFRIC 14	Prepayments of a Minimum Funding Requirement
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments
Improvements to IFRSs (2010)	

The adoption of these standards, amendments and interpretations does not have a material impact on the Group's accounting policies.

Revised IAS 24 'Related Party Disclosures' supersedes IAS 24 (as revised in 2003). It simplifies the disclosure requirements for government-related entities and clarifies the definition of a related party.

Amendment to IAS 32 'Classification of Rights Issues' clarifies that rights issues are equity instruments when they are denominated in a currency other than the issuer's functional currency and are issued pro-rata to an entity's existing shareholders for a fixed amount of currency.

Amendments to IFRIC 14 'Prepayments of a Minimum Funding Requirement' require an entity to recognise an asset for a prepayment that will reduce future minimum funding contributions required by the entity.

IFRIC 19 'Extinguishing Financial Liabilities with Equity Instruments' provides guidance on the application of IAS 39 and IAS 32 when an entity issues its own equity instruments to extinguish all or part of a financial liability.

The Improvements to IFRSs (2010) comprise a number of non-urgent but necessary amendments to IFRSs. The amendments which are relevant to the Group's operations include IFRS 3 (amendments) 'Business Combinations', IFRS 7 (amendments) 'Financial Instruments: Disclosures', IAS 1 (amendments) 'Presentation of Financial Statements', IAS 34 (amendments) 'Interim Financial Reporting' and IFRIC 13 (amendment) 'Customer Loyalty Programmes'.

IFRS 3 (amendments) 'Business Combinations' clarify the transition requirements for contingent consideration from business combination that occurred before the effective date of the revised IFRS, the measurement of non-controlling interests and un-replaced and voluntarily replaced share-based payment awards.

IFRS 7 (amendments) 'Financial Instruments: Disclosures' emphasise the interaction between qualitative and quantitative disclosures and the nature and extent of risks associated with financial instruments.

IAS 1 (amendments) 'Presentation of Financial Statements' clarify that entities may present the required reconciliations for each component of other comprehensive income either in the statement of changes in equity or in the notes to the financial statements.

IAS 34 (amendments) 'Interim Financial Reporting' provide guidance to illustrate how to apply disclosure principles in IAS 34 and add disclosure requirements around the circumstances likely to affect fair values of financial instruments and their classification, transfers of financial instruments between different levels of fair value hierarchy, changes in classification of financial assets and changes in contingent liabilities and assets.

IFRIC 13 (amendment) 'Customer Loyalty Programmes' clarifies that when the fair value of award credits is measured on the basis of the value of the awards for which they could be redeemed, the fair value of the award credits should take account of expected forfeitures as well as the discounts or incentives that would otherwise be offered to customers who have not earned award credits from an initial sale.

1 Principal Accounting Policies continued

Basis of preparation continued

Standards and amendments effective after 2011 which are relevant to the Group's operations and yet to be adopted

Amendments to IFRS 7	Financial Instruments: Disclosures on Derecognition
IFRS 9	Financial Instruments
IFRS 10	Consolidated Financial Statements
IFRS 11	Joint Arrangements
IFRS 12	Disclosure of Interests in Other Entities
IFRS 13	Fair value Measurement
Amendments to IAS 1	Presentation of Items of Other Comprehensive Income
IAS 19 (amended 2011)	Employee Benefits
IAS 27 (2011)	Separate Financial Statements
IAS 28 (2011)	Investments in Associates and Joint Ventures

Amendments to IFRS 7 'Financial Instruments: Disclosures on Derecognition' (effective for annual period beginning 1st July 2011) promotes transparency in the reporting of transfer transactions and improves users' understanding of the risk exposures relating to transfer of financial assets and the effect of those risks on an entity's financial position particularly those involving securitisation of financial assets.

IFRS 9 'Financial Instruments' (effective from 1st January 2015) is the first standard issued as part of a wider project to replace IAS 39. IFRS 9 retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortised cost and fair value. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. IFRS 9 is likely to affect the Group's accounting for its financial assets. The Group has yet to assess the full impact of IFRS 9 and will apply the standard from 1st January 2015.

IFRS 10 'Consolidated Financial Statements' (effective 1st January 2013) replaces SIC Interpretation 12 'Consolidation – Special Purpose Entities' and most of IAS 27 'Consolidated and Separate Financial Statements'. It contains a new single consolidation model that identifies control as the basis for consolidation for all types of entities. It provides a definition of control that comprises the elements of power over an investee; exposure of rights to variable returns from an investees; and ability to use power to affect the reporting entity's returns. The Group has yet to assess the full impact of IFRS 10 and will apply the standard from 1st January 2013.

IFRS 11 'Joint Arrangements' (effective 1st January 2013) replaces IAS 31 'Interests in Joint Ventures' and classifies joint arrangements as either joint operations (whereby the parties that have joint control have rights to the assets and obligations for the liabilities of the joint arrangements) or joint ventures (whereby the parties that have joint control have rights to the net assets of the joint arrangements). It prescribes the accounting for interests in joint operations as its interest in the assets, liabilities, revenues and expenses. The current option permitted by IAS 28 (amended) to proportionately consolidate for joint ventures is no longer permitted. The Group has yet to assess the full impact of IFRS 11 and will apply the standard from 1st January 2013.

IFRS 12 'Disclosure of Interests in Other Entities' (effective 1st January 2013) requires entities to disclose information that helps financial statements readers to evaluate the nature, risks and financial effects associated with the entity's interests in subsidiaries, associates, joint arrangements and unconsolidated structured entities. Disclosure required includes significant judgements and assumptions made in determining whether an entity controls, jointly controls, significantly influences or has some other interest in other entities. The Group will apply the standard from 1st January 2013.

IFRS 13 'Fair Value Measurement' (effective 1st January 2013) requires entities to disclose information about the valuation techniques and inputs used to measure fair value, as well as information about the uncertainty inherent in fair value measurements. The standard applies to both financial and non-financial items measured at fair value. Fair value is now defined as 'the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date' (i.e. an exit price). The Group will apply the standard from 1st January 2013.

Amendments to IAS 1 'Presentation of Items of Other Comprehensive Income' (effective from 1st July 2012) improves the consistency and clarity of the presentation of items of other comprehensive income. The amendments require entities to separate items presented in other comprehensive income into two groups, based on whether or not they may be recycled to profit or loss in the future. Items that will not be recycled – such as actuarial gains or losses on defined benefit pension plans – will be presented separately from items that may be recycled in the future – such as deferred gains and losses on cash flow hedges. The amounts of tax related to the two groups are required to be allocated on the same basis. The Group will apply the standard from 1st January 2013.

1 Principal Accounting Policies continued

Basis of preparation continued

Standards and amendments effective after 2011 which are relevant to the Group's operations and yet to be adopted continued

IAS 19 (amended 2011) 'Employee Benefits' (effective 1st January 2013) requires the assumed return on plan assets recognised in the profit and loss to be the same as the rate used to discount the defined benefit obligation. It also requires actuarial gains and losses to be recognised immediately in other comprehensive income and past service costs immediately in profit or loss. Additional disclosures are required to present the characteristics of benefit plans, the amount recognised in the financial statements, and the risks arising from defined benefit plans and multi-employer plans. The Group will apply the standard from 1st January 2013.

IAS 27 (2011) 'Separate Financial Statements' (effective 1st January 2013) supersedes IAS 27 (2008) and prescribes the accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates when an entity prepares separate financial statements. There will be no impact on the consolidated financial statements as the changes only affect the separate financial statements of the investing entity.

IAS 28 (2011) 'Investments in Associates and Joint Ventures' (effective 1st January 2013) supersedes IAS 28 (2008) and prescribes the accounting for investments in associates and joint ventures and sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures. The adoption of this standard is not expected to have any significant impact on the results of the Group as the Group is already following the standard.

In addition to the above, the IASB has also issued IFRS 9 'Financial Instruments' (2009) and IFRS 9 (2010) which are effective from 1st January 2013. However, in August 2011, the IASB issued an exposure draft that proposes to delay the effective date of IFRS 9, 'Financial instruments', to annual periods beginning on or after 1st January 2015. The original effective date was for annual periods beginning on or after from 1st January 2013. This proposal is a result of the extension of the IASB's timeline for completing the remaining phases (for example, impairment and hedge accounting) of its project to replace IAS 39 beyond June 2011. IFRS 9 (2009) is the first standard issued as part of a wider project to replace IAS 39. It retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortised cost and fair value. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. The guidance in IAS 39 on impairment of financial assets and hedge accounting continues to apply. IFRS 9 (2010) adds the requirements related to the classification and measurement of financial liabilities, and derecognition of financial assets and liabilities, to the version issued in November 2009. It also includes those paragraphs of IAS 39 dealing with how to measure fair value and accounting for derivatives embedded in a contract that contains a host that is not a financial asset, as well as the requirements of IFRIC 9 'Remeasurement of Embedded Derivatives'. The Group will apply the standard from 1st January 2015.

The principal operating subsidiaries, associates and joint ventures have different functional currencies in line with the economic environments of the locations in which they operate. The functional currency of the Company is United States dollars. The consolidated financial statements are presented in United States dollars.

The Group's reportable segments are set out in Note 4.

Basis of consolidation

i) The consolidated financial statements include the financial statements of the Company, its subsidiaries, and its associates and joint ventures.

ii) Subsidiaries are entities over which the Group has the power to govern the financial and operating policies. The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition includes the fair value at the acquisition date of any contingent consideration. In a business combination achieved in stages, the Group remeasures its previously held interest in the acquiree at its acquisition-date fair value and recognised the resulting gain or loss in profit and loss. Changes in a parent's ownership interest in a subsidiary that do not result in the loss of control are accounted for as equity transactions. When control over a previous subsidiary is lost, any remaining interest in the entity is remeasured at fair value and the resulting gain or loss is recognised in profit and loss.

    All material intercompany transactions, balances and unrealised surpluses and deficits on transactions between Group companies have been eliminated. The cost of and related income arising from shares held in the Company by subsidiaries are eliminated from shareholders' funds and non-controlling interests, and profit respectively.

1 Principal Accounting Policies continued

Basis of consolidation continued

iii) Associates are entities, not being subsidiaries or joint ventures, over which the Group exercises significant influence. Joint ventures are entities which the Group jointly controls with one or more other venturers. Associates and joint ventures are included on the equity basis of accounting.

iv) Non-controlling interests represent the proportion of the results and net assets of subsidiaries and their associates and joint ventures not attributable to the Group.

v) The results of subsidiaries, associates and joint ventures are included or excluded from their effective dates of acquisition or disposal respectively. The results of entities other than subsidiaries, associates and joint ventures are included to the extent of dividends received when the right to receive such dividend is established.

Foreign currencies

Transactions in foreign currencies are accounted for at the exchange rates ruling at the transaction dates.

Assets and liabilities of subsidiaries, associates and joint ventures, together with all other monetary assets and liabilities expressed in foreign currencies, are translated into United States dollars at the rates of exchange ruling at the year end. Results expressed in foreign currencies are translated into United States dollars at the average rates of exchange ruling during the year, which approximate the exchange rates at the dates of the transactions.

Exchange differences arising from the retranslation of the net investment in foreign subsidiaries, associates and joint ventures, and of financial instruments which are designated as hedges of such investments, are recognised in other comprehensive income and accumulated in equity under exchange reserves. On the disposal of these investments which results in the loss of control, such exchange differences are recognised in profit and loss. Exchange differences on available-for-sale investments are recognised in other comprehensive income as part of the gains and losses arising from changes in their fair value. Exchange differences relating to changes in the amortised cost of monetary securities classified as available-for-sale and all other exchange differences are recognised in profit and loss.

Goodwill and fair value adjustments arising on acquisition of a foreign entity after 1st January 2003 are treated as assets and liabilities of the foreign entity and translated into United States dollars at the rate of exchange ruling at the year end.

Impairment

Assets that have indefinite useful lives are not subject to amortisation and are tested for impairment annually and whenever there is an indication that the assets may be impaired. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. For the purpose of assessing impairment, assets are grouped at the lowest level for which there is separately identifiable cash flows. Cash-generating units or groups of cash-generating units to which goodwill has been allocated are tested for impairment annually and whenever there is an indication that the units may be impaired. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of an asset's fair value less costs to sell and value in use.

Intangible assets

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary, associate or joint venture at the effective date of acquisition. Non-controlling interests are measured at their proportionate share of the net identifiable assets at the acquisition date. If the cost of acquisition is less than the fair value of the net assets acquired, the difference is recognised directly in profit and loss. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisitions of associates and joint ventures is included in investment in associates and joint ventures. Goodwill is allocated to cash-generating units or groups of cash-generating units for the purpose of impairment testing and is carried at cost less accumulated impairment loss.

The profit or loss on disposal of subsidiaries, associates and joint ventures includes the carrying amount of goodwill relating to entity sold.

1 Principal Accounting Policies continued

Tangible fixed assets and depreciation

Depreciation of tangible fixed assets is calculated on the straight line basis to allocate the cost or valuation of each asset to its residual value over its estimated useful life. The residual values and useful lives are reviewed at each balance sheet date. The estimated useful lives are as follows:

Furniture, equipment and motor vehicles	3 – 10 years

Where the carrying amount of a tangible fixed asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

The profit or loss on disposal of tangible fixed assets is recognised by reference to their carrying amount.

Investment properties

Properties including those under operating leases which are held for long-term rental yields or capital gains are classified and accounted for as investment properties, but the business model does not necessarily envisage that the properties will be held for their entire useful life. Investment properties are carried at fair value, representing estimated open market value determined annually by independent qualified valuers who have recent experience in the location and category of the investment property being valued. The market value of each property is calculated on the discounted net rental income allowing for reversionary potential. Changes in fair value are recognised in profit and loss.

Investments

i) Investments are classified by management as available for sale or held to maturity on initial recognition. Available-for-sale investments are shown at fair value. Gains and losses arising from changes in the fair value are recognised in other comprehensive income. On the disposal of an investment or when an investment is determined to be impaired, the cumulative gain or loss previously deferred in equity is recognised in profit and loss. Held-to-maturity investments are shown at amortised cost. Investments are classified under non-current assets unless they are expected to be realised within twelve months after the balance sheet date.

ii) At each balance sheet date, the Group assesses whether there is objective evidence that an investment is impaired. In the case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered as an indicator that the securities are impaired.

iii) All purchases and sales of investments are recognised on the trade date, which is the date that the Group commits to purchase or sell the investment.

Leases

Leases are classified as finance leases when the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Properties for sale

Properties for sale, which comprise land and buildings held for resale, are stated at the lower of cost and net realisable value. The cost of properties for sale comprises land cost, and construction and other development costs.

Debtors

Debtors, excluding derivative financial instruments, are measured at amortised cost except where the effect of discounting would be immaterial. Provision for impairment is established when there is objective evidence that the outstanding amounts will not be collected. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the debtor is impaired. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in arriving at operating profit. When a debtor is uncollectible, it is written off against the allowance account. Subsequent recoveries of amount previously written off are credited to profit and loss.

Debtors with maturities greater than twelve months after the balance sheet date are classified under non-current assets.

1 Principal Accounting Policies continued

Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise deposits with banks, and bank and cash balances, net of bank overdrafts. In the balance sheet, bank overdrafts are included in current borrowings.

Provisions

Provisions are recognised when the Group has present legal or constructive obligations as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligations, and a reliable estimate of the amount of the obligations can be made.

Borrowings and borrowing costs

Borrowings are initially recognised at fair value, net of transaction costs incurred. In subsequent periods, borrowings are stated at amortised cost using the effective interest method.

On the issue of convertible bonds, the fair value of the liability portion is determined using a market interest rate for an equivalent non-convertible bond; this amount is included in long-term borrowings on the amortised cost basis until extinguished on conversion or maturity of the bond. The remainder of the proceeds is allocated to the conversion option which is recognised and included in shareholders' funds.

Borrowing costs relating to major development projects are capitalised until the asset is substantially completed. Capitalised borrowing costs are included as part of the cost of the asset. All other borrowing costs are expensed as incurred.

Borrowings are classified under non-current liabilities unless they are due to be settled within twelve months after the balance sheet date.

Deferred tax

Deferred tax is provided, using the liability method, for all temporary differences arising between the tax bases of assets and liabilities and their carrying values. Deferred tax is determined using tax rates and laws that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Provision for deferred tax is made on the revaluation of certain non-current assets and, in relation to acquisitions, on the difference between the fair value of the net assets acquired and their tax base. Deferred tax is provided on temporary differences associated with investments in subsidiaries, associates and joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets relating to the carry forward of unused tax losses are recognised to the extent that it is probable that future taxable profit will be available against which the unused tax losses can be utilised.

Pension obligations

The Group operates a number of defined benefit and defined contribution plans, the assets of which are held in trustee administered funds.

Pension accounting costs for defined benefit plans are assessed using the projected unit credit method. Under this method, the costs of providing pensions are charged to profit and loss spreading the regular cost over the service lives of employees in accordance with the advice of qualified actuaries, who carry out a full valuation of major plans every year. The pension obligations are measured as the present value of the estimated future cash outflows by reference to market yields on high quality corporate bonds which have terms to maturity approximating the terms of the related liability. Plan assets are measured at fair value. Actuarial gains and losses are recognised in other comprehensive income in the year in which they occur.

The Group's total contributions relating to the defined contribution plans are charged to profit and loss in the year to which they relate.

Non-current assets held for sale

Non-current assets are classified as assets held for sale and stated at the lower of carrying amount and fair value less costs to sell if their carrying amount is recovered principally through a sale transaction rather than through continuing use.

Derivative financial instruments

The Group only enters into derivative financial instruments in order to hedge underlying exposures. Derivative financial instruments are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. The method of recognising the resulting gain or loss is dependent on the nature of the item being hedged. The Group designates certain derivatives as a hedge of the fair value of a recognised asset or liability (fair value hedge), or a hedge of a forecast transaction or of the foreign currency risk on a firm commitment (cash flow hedge), or a hedge of a net investment in a foreign entity.

Changes in the fair value of derivatives that are designated and qualify as fair value hedges and that are highly effective, are recognised in profit and loss, along with any changes in the fair value of the hedged asset or liability that is attributable to the hedged risk. When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, the cumulative adjustment to the carrying amount of a hedged item for which the effective interest method is used is amortised to profit and loss over the residual period to maturity.

Changes in the fair value of derivatives that are designated and qualify as cash flow hedges and that are highly effective, are recognised in other comprehensive income and accumulated in equity under hedging reserves. Where the forecast transaction or firm commitment results in the recognition of a non-financial asset or of a non-financial liability, the gains and losses previously deferred in hedging reserves are transferred from hedging reserves and included in the initial measurement of the cost of the asset or liability. Otherwise, amounts deferred in hedging reserves are transferred to profit and loss in the same periods during which the hedged firm commitment or forecast transaction affects profit and loss. When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in hedging reserves at that time remains in the hedging reserves and is recognised when the committed or forecast transaction ultimately is recognised in profit and loss. When a committed or forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in hedging reserves is immediately transferred to profit and loss.

Certain derivative transactions, while providing effective economic hedges under the Group's risk management policies, do not qualify for hedge accounting under the specific rules in IAS 39. Changes in the fair value of any derivative instruments that do not qualify for hedge accounting under IAS 39 are recognised immediately in profit and loss.

Hedges of net investments in foreign entities are accounted for on a similar basis to that used for cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in exchange reserves; the gain or loss relating to the ineffective portion is recognised immediately in profit and loss.

The fair value of derivatives which are designated and qualify as effective hedges are classified as non-current assets or liabilities if the remaining maturities of the hedged assets or liabilities are greater than twelve months after the balance sheet date.

Financial guarantee contracts

Financial guarantee contracts under which the Group accepts significant risk from a third party by agreeing to compensate that party on the occurrence of a specified uncertain future event are accounted for in a manner similar to insurance contracts. Provisions are recognised when it is probable that the Group has obligations under such guarantees and an outflow of resources embodying economic benefits will be required to settle the obligations.

Non-trading items

Non-trading items are separately identified to provide greater understanding of the Group's underlying business performance. Items classified as non-trading items include fair value gains or losses on revaluation of investment properties; gains and losses arising from the sale of businesses, investments and investment properties; impairment of non-depreciable intangible assets and other investments; provisions for the closure of businesses; acquisition-related costs in business combinations; and other credits and charges of a non-recurring nature that require inclusion in order to provide additional insight into underlying business performance.

Earnings per share

Basic earnings per share are calculated on profit attributable to shareholders and on the weighted average number of shares in issue during the year. For the purpose of calculating diluted earnings per share, profit attributable to shareholders is adjusted for the effects of the conversion of dilutive potential ordinary shares, and the weighted average number of shares is adjusted for the number of shares which are deemed to be issued on the conversion of convertible bonds into ordinary shares.

1 Principal Accounting Policies continued

Dividends

Dividends proposed or declared after the balance sheet date are not recognised as a liability at the balance sheet date.

Revenue recognition

Revenue is measured at the fair value of the consideration received and receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts and sales related taxes.

i) Revenue from sale of properties is recognised on the transfer of significant risks and rewards of ownership, which generally coincides with the time when the properties are delivered to customers.

ii) Receipts under operating leases are accounted for on an accrual basis over the lease terms.

iii) Revenue from rendering of services is recognised when services are performed, provided that the amount can be measured reliably.

iv) Dividend income is recognised when the right to receive payment is established.

2 Financial Risk Management

Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk.

The Group's treasury function co-ordinates, under the directions of the Board of Hongkong Land Limited, financial risk management policies and their implementation on a group-wide basis. The Group's treasury policies are designed to manage the financial impact of fluctuations in interest rates and foreign exchange rates and to minimise the Group's financial risks. The Group uses derivative financial instruments, principally interest rate swaps, cross-currency swaps and forward foreign exchange contracts as appropriate for hedging transactions and managing the Group's assets and liabilities in accordance with the Group's financial risk management policies. Financial derivative contracts are executed between third party banks and the Group entity that is directly exposed to the risk being hedged. Certain derivative transactions, while providing effective economic hedges under the Group's risk management policies, do not qualify for hedge accounting under the specific rules in IAS 39. Changes in the fair value of any derivative instruments that do not qualify for hedge accounting under IAS 39 are recognised immediately in profit and loss account. It is the Group's policy not to enter into derivative transactions for speculative purposes. The notional amounts and fair values of derivative financial instruments at 31st December 2011 are disclosed in Note 25.

i) Market risk

Foreign exchange risk

Entities within the Group are exposed to foreign exchange risk from future commercial transactions, net investments in foreign operations and net monetary assets and liabilities that are denominated in a currency that is not the entity's functional currency.

Entities in the Group use forward foreign exchange contracts in a consistent manner to hedge firm and anticipated foreign exchange commitments and manage their foreign exchange risk arising from future commercial transactions. The Group does not usually hedge its net investments in foreign operations except in circumstances where there is a material exposure arising from a currency that is anticipated to be volatile and the hedging is cost effective. Group companies are required to manage their foreign exchange risk against their functional currency. Foreign currency borrowings are swapped into the entity's functional currency using cross-currency swaps except where the foreign currency borrowings are repaid with cash flows generated in the same foreign currency. The purpose of these hedges is to mitigate the impact of movements in foreign exchange rates on assets and liabilities and the profit and loss account of the Group.

Currency risks as defined by IFRS 7 arise on account of monetary assets and liabilities being denominated in a currency that is not the functional currency. At 31st December 2011, there are no significant monetary balances held by group companies that are denominated in a non-functional currency. Differences resulting from the translation of financial statements into the Group's presentation currency are not taken into consideration.

Since the Group manages the interdependencies between foreign exchange risk and interest rate risk of foreign currency borrowings using cross-currency swaps, the sensitivity analysis on financial impacts arising from cross-currency swaps is included in the sensitivity assessment on interest rates under the interest rate risk section.

2 Financial Risk Management continued

Financial risk factors continued

i) Market risk continued

Interest rate risk

The Group is exposed to interest rate risk through the impact of rate changes on interest bearing liabilities and assets. These exposures are managed partly by using natural hedges that arise from offsetting interest rate sensitive assets and liabilities, and partly through the use of derivative financial instruments such as interest rate swaps. The Group monitors interest rate exposure on a monthly basis by currency and business unit, taking into consideration proposed financing and hedging arrangements. The Group's guideline is to maintain 40% to 60% of its gross borrowings in fixed rate instruments with an average tenor of two to three years. At 31st December 2011, the Group's interest rate hedge was 52% (2010: 62%) with an average tenor of nine years (2010: six years). The interest rate profile of the Group's borrowings after taking into account hedging transactions are set out in Note 21.

Cash flow interest rate risk is the risk that changes in market interest rates will impact cash flows arising from variable rate financial instruments. Borrowings at floating rates therefore expose the Group to cash flow interest rate risk. The Group manages this risk by using forward rate agreements to a maturity of one year, and by entering into interest rate swaps for a maturity of up to five years. Forward rate agreements and interest rate swaps have the economic effect of converting borrowings from floating rate to fixed rate.

Fair value interest rate risk is the risk that the value of a financial asset or liability and derivative financial instrument will fluctuate because of changes in market interest rates. The Group manages its fair value interest rate risk by entering into interest rate swaps which have the economic effect of converting borrowings from fixed rate to floating rate.

At 31st December 2011, if interest rates had been 100 basis points higher/lower with all other variables held constant, the Group's profit after tax would have been US$5 million (2010: US$7 million) higher/lower, and hedging reserve would have been US$54 million (2010: US$45 million) higher/lower as a result of fair value changes to cash flow hedges. The sensitivity analysis has been determined assuming that the change in interest rates had occurred at the balance sheet date and had been applied to the exposure to interest rate risk for both derivative and non-derivative financial instruments in existence at that date. The 100 basis point increase or decrease represents management's assessment of a reasonably possible change in those interest rates which have the most impact on the Group, specifically the United States, Hong Kong and Singapore rates, over the period until the next annual balance sheet date. In the case of effective fair value hedges, changes in fair value of the hedged item caused by interest rate movements balance out in profit and loss account against changes in the fair value of the hedging instruments. Changes in market interest rates affect the interest income or expense of non-derivative variable-interest financial instruments, the interest payments of which are not designated as hedged items of cash flow hedges against interest rate risks. As a consequence, they are included in the calculation of profit after tax sensitivities. Changes in the market interest rate of financial instruments that were designated as hedging instruments in a cash flow hedge to hedge payment fluctuations resulting from interest rate movements affect the hedging reserves and are therefore taken into consideration in the equity-related sensitivity calculations.

Price risk

The Group is exposed to securities price risk because of listed investments which are available for sale and held by the Group at fair value. Gains and losses arising from changes in the fair value of available-for-sale investments are recognised in other comprehensive income. The performance of the Group's listed and unlisted available-for-sale investments are monitored regularly, together with an assessment of their relevance to the Group's long term strategic plans. Details of the Group's available-for-sale investments are contained in Note 14.

Available-for-sale investments are unhedged. At 31st December 2011, if the price of listed and unlisted available-for-sale investments had been 25% higher/lower with all other variables held constant, total equity would have been US$12 million (2010: US$15 million) higher/lower. The sensitivity analysis has been determined based on a reasonable expectation of possible valuation volatility over the next twelve months.

2 Financial Risk Management continued

Financial risk factors continued

ii) Credit risk

The Group's credit risk is primarily attributable to deposits with banks, credit exposures to customers and derivative financial instruments with a positive fair value. The Group has credit policies in place and the exposures to these credit risks are monitored on an ongoing basis.

The Group manages its deposits with banks and financial institutions and transactions involving derivative financial instruments by monitoring credit ratings and capital adequacy ratios of counterparties, and limiting the aggregate risk to any individual counterparty. The utilisation of credit limits is regularly monitored. At 31st December 2011, 90% (2010: 100%) of deposits and balances with banks were made to institutions with credit ratings of no less than A3 and 10% with credit rating at Baa3 (Moody's). Similarly transactions involving derivative financial instruments are with banks with sound credit ratings and capital adequacy ratios. In developing countries it may be necessary to deposit money with banks that have a lower credit rating, however the Group only enters into derivative transactions with counterparties which have credit ratings of at least investment grade. Management does not expect any counterparty to fail to meet its obligations.

In respect of credit exposures to customers, the Group has policies in place to ensure that investment properties are let principally to corporate companies with appropriate credit history. Rental deposits in the form of cash or bank guarantee are usually received from tenants. The Group receives progress payments from sales of residential properties to individual customers prior to the completion of transactions. In the event of default by customers, Group companies undertake legal proceedings to recover the property. Amounts due from associates and joint ventures are generally supported by the underlying assets.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet after deducting any impairment allowance.

iii) Liquidity risk

Prudent liquidity risk management includes managing the profile of debt maturities and funding sources, maintaining sufficient cash and marketable securities, and ensuring the availability of funding from an adequate amount of committed credit facilities and the ability to close out market positions. The Group's ability to fund its existing and prospective debt requirements is managed by maintaining diversified funding sources with adequate committed funding lines from high quality lenders, and by monitoring rolling short-term forecasts of the Group's cash and gross debt on the basis of expected cash flows. In addition long-term cash flows are projected to assist with the Group's long-term debt financing plans.

At 31st December 2011, total committed and uncommitted borrowing facilities amounted to US$5,459 million (2010: US$6,184 million) of which US$3,327 million (2010: US$3,725 million) was drawn down. Undrawn committed facilities, in the form of revolving credit and term loan facilities, totalled US$1,934 million (2010: US$2,262 million).

2 Financial Risk Management continued

Financial risk factors continued

iii) Liquidity risk continued

The table below analyses the Group's non-derivative financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. Derivative financial liabilities are included in the analysis if their contractual maturities are essential for an understanding of the timing of the cash flows. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Within one year US$m	Between one and two years US$m	Between two and three years US$m	Between three and four years US$m	Between four and five years US$m	Beyond five years US$m	Total undiscounted cash flow US$m
At 31st December 2011							
Borrowings	**166.5**	**784.9**	**610.2**	**358.9**	**365.6**	**1,846.8**	**4,132.9**
Creditors	**307.2**	**38.6**	**49.2**	**20.4**	**10.6**	**20.7**	**446.7**
Net settled derivative financial instruments	**5.7**	**3.5**	**1.5**	**–**	**–**	**–**	**10.7**
At 31st December 2010							
Borrowings	976.4	548.7	456.8	574.6	354.1	1,757.7	4,668.3
Creditors	314.8	50.6	38.8	15.2	18.7	16.0	454.1
Net settled derivative financial instruments	8.4	6.2	3.8	1.5	–	–	19.9

Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern whilst seeking to maximise benefits to shareholders and other stakeholders. Capital is equity as shown in the consolidated balance sheet plus net debt.

The Group actively and regularly reviews and manages its capital structure to ensure optimal capital structure and shareholder returns, taking into consideration the future capital requirements of the Group and capital efficiency, prevailing and projected profitability, projected operating cash flows, projected capital expenditures and projected strategic investment opportunities. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, purchase Group shares, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital on the basis of the Group's consolidated gearing ratio and consolidated interest cover. The gearing ratio is calculated as net debt divided by total equity. Net debt is calculated as total borrowings less bank balances. Interest cover is calculated as underlying operating profit including the Group's share of operating profit within associates and joint ventures divided by net financing charges including the Group's share of net financing charges within associates and joint ventures. The Group does not have a defined gearing or interest cover benchmark or range.

The ratios at 31st December 2010 and 2011 are as follows:

	2011	2010
Gearing ratio (%)	**10**	12
Interest cover (times)	**10**	12

2 Financial Risk Management continued

Fair value estimation

i) Financial instruments that are measured at fair value

For financial instruments that are measured at fair value in the balance sheet, the corresponding fair value measurements are disclosed by level of the following fair value measurement hierarchy:

a) *Quoted prices (unadjusted) in active markets for identical assets or liabilities ('quoted prices in active markets')*

The fair value of listed securities, which are classified as available-for-sale, is based on quoted prices in active markets at the balance sheet date. The quoted market price used for listed investments held by the Group is the current bid price.

b) *Inputs other than quoted prices in active markets that are observable for the asset or liability, either directly or indirectly ('observable current market transactions')*

The fair values of interest rate swaps and forward foreign exchange contracts have been determined using rates quoted by the Group's bankers at the balance sheet date which are calculated by reference to the market interest rates and foreign exchange rates.

c) *Inputs for the asset or liability that are not based on observable market data ('unobservable inputs')*

The fair value of unlisted securities, which are classified as available-for-sale, is determined using valuation techniques by reference to observable current market transactions or the market prices of the underlying investments with certain degree of entity specific estimates.

ii) Financial instruments that are not measured at fair value

The fair values of current debtors, bank balances, current creditors and current borrowings are assumed to approximate their carrying amounts due to the short-term maturities of these assets and liabilities.

The fair values of long-term borrowings are based on market prices or are estimated using the expected future payments discounted at market interest rates.

3 Critical Accounting Estimates and Judgements

Estimates and judgements used in preparing the financial statements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant effect on the carrying amounts of assets and liabilities are discussed below.

Acquisition of subsidiaries, associates and joint ventures

The initial accounting on the acquisition of subsidiaries, associates and joint ventures involves identifying and determining the fair values to be assigned to the identifiable assets, liabilities and contingent liabilities of the acquired entities. The fair values of leasehold land, tangible assets and investment properties are determined by independent valuers by reference to market prices or present value of expected net cash flows from the assets. Any changes in the assumptions used and estimates made in determining the fair values, and management's ability to measure reliably the contingent liabilities of the acquired entity will impact the carrying amount of these assets and liabilities.

Investment properties

The fair values of investment properties are determined by independent valuers on an open market for existing use basis calculated on the discounted net income allowing for reversionary potential.

In making the judgement, considerations have been given to assumptions that are mainly based on market conditions existing at the balance sheet date and appropriate capitalisation rates. These estimates are regularly compared to actual market data and actual transactions entered into by the Group.

3 Critical Accounting Estimates and Judgements continued

Impairment of assets

The Group tests annually whether goodwill and other assets that have indefinite useful lives suffered any impairment. Other assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset exceeds its recoverable amount. The recoverable amount of an asset or a cash generating unit is determined based on the higher of its fair value less costs to sell and its value-in-use, calculated on the basis of management's assumptions and estimates. Changing the key assumptions, including the discount rates or the growth rate assumptions in the cash flow projections, could materially affect the value-in-use calculations.

In determining when an available-for-sale equity investment is impaired, significant judgement is required. In making this judgement, the Group evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost; and the financial health of and near-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financial cash flows.

Income taxes

The Group is subject to income taxes in numerous jurisdictions. Significant judgement is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Provision of deferred tax follows the way management expects to recover or settle the carrying amount of the related assets or liabilities, which the management may expect to recover through use, sale or combination of both. Accordingly, deferred tax will be calculated at income tax rate, capital gains tax rate or combination of both. There is a rebuttable presumption in International Financial Reporting Standards that investment properties measured at fair value are recovered through sale. Thus, deferred tax on revaluation of investment properties held by the Group are calculated at the capital gains tax rate.

Recognition of deferred tax assets, which principally relate to tax losses, depends on the management's expectation of future taxable profit that will be available against which the tax losses can be utilised. The outcome of their actual utilisation may be different.

Pension obligations

The present value of the pension obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost/income for pensions include the expected long-term rate of return on the relevant plan assets and the discount rate. Any changes in these assumptions will impact the carrying amount of pension obligations.

The expected return on plan assets assumption is determined on a uniform basis, taking into consideration long-term historical returns, asset allocation and future estimates of long-term investment returns.

The Group determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the Group considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Other key assumptions for pension obligations are based in part on current market conditions.

Non-trading items

The Group uses underlying business performance in its internal financial reporting to distinguish between the underlying profits and non-trading items. The identification of non-trading items requires judgement by management.

4 Segmental Information

Operating segments are identified on the basis of internal reports about components of the Group that are regularly reviewed by the Board for the purpose of resource allocation and performance assessment. The Group operates in two operating segments namely Commercial Property and Residential Property. No operating segments have been aggregated to form the reportable segments.

	Revenue		Operating profit		Underlying profit attributable to shareholders		Segment assets		Segment liabilities	
	2011 US$m	2010 US$m	**2011 US$m**	2010 US$m	**2011 US$m**	2010 US$m	**2011 US$m**	2010 US$m	**2011 US$m**	2010 US$m
By business										
Commercial property	**804.2**	775.3	**673.1**	649.0	**755.9**	684.5	**22,596.6**	18,047.7	**(295.1)**	(309.2)
Residential property	**419.5**	565.3	**209.1**	287.1	**282.0**	432.5	**1,835.2**	1,465.4	**(426.0)**	(440.3)
Corporate, net financing charges and tax	**–**	–	**(50.5)**	(54.7)	**(334.5)**	(306.8)	**–**	–	**–**	–
	1,223.7	1,340.6	**831.7**	881.4	**703.4**	810.2	**24,431.8**	19,513.1	**(721.1)**	(749.5)
Change in fair value of investment properties	**–**	–	**4,382.7**	3,197.6	**–**	–	**–**	–	**–**	–
Asset impairment provisions, reversals and disposals	**–**	–	**–**	0.1	**–**	–	**–**	–	**–**	–
	1,223.7	1,340.6	**5,214.4**	4,079.1	**703.4**	810.2	**24,431.8**	19,513.1	**(721.1)**	(749.5)
By geographical location										
Greater China	**937.6**	935.9	**5,077.0**	3,821.3	**817.7**	761.7	**22,754.6**	18,081.6	**(334.0)**	(385.3)
Southeast Asia and others	**286.1**	404.7	**187.9**	312.5	**220.2**	355.3	**1,677.2**	1,431.5	**(387.1)**	(364.2)
Corporate, net financing charges and tax	**–**	–	**(50.5)**	(54.7)	**(334.5)**	(306.8)	**–**	–	**–**	–
	1,223.7	1,340.6	**5,214.4**	4,079.1	**703.4**	810.2	**24,431.8**	19,513.1	**(721.1)**	(749.5)

	Operating profit 2011 US$m	Operating profit 2010 US$m
Operating profit	**5,214.4**	4,079.1
Results of associates and joint ventures	**298.0**	905.3
Net financing charges and tax	**(201.0)**	(199.2)
Profit after tax	**5,311.4**	4,785.2

	Assets 2011 US$m	Assets 2010 US$m	Liabilities 2011 US$m	Liabilities 2010 US$m
Segment assets and liabilities	**24,431.8**	19,513.1	**(721.1)**	(749.5)
Investments in associates and joint ventures	**3,551.8**	3,177.7	**–**	–
Unallocated assets and liabilities	**1,040.0**	1,451.7	**(3,538.7)**	(3,915.5)
Total assets and liabilities	**29,023.6**	24,142.5	**(4,259.8)**	(4,665.0)

Greater China includes Hong Kong, Macau, mainland China and Taiwan.

Unallocated assets and liabilities include tax assets and liabilities, bank balances and borrowings.

5 Revenue

	2011 US$m	2010 US$m
Rental income	**700.3**	681.8
Service income	**110.9**	102.2
Sales of properties	**412.5**	556.6
	1,223.7	1,340.6

Service income includes service and management charges and hospitality service income.

Total contingent rents included in rental income amounted to US$12.5 million (2010: US$9.9 million).

	2011 US$m	2010 US$m
The future minimum rental payments receivable under non-cancellable leases are as follows:		
Within one year	**633.4**	598.8
Between one and two years	**481.5**	376.3
Between two and five years	**479.1**	402.2
Beyond five years	**79.1**	76.3
	1,673.1	1,453.6

Generally the Group's operating leases are for terms of three years or more.

6 Net Operating Costs

	2011 US$m	2010 US$m
Cost of sales	**(320.2)**	(382.6)
Other income	**4.0**	5.0
Administrative expenses	**(75.8)**	(81.6)
	(392.0)	(459.2)
The following credits/(charges) are included in net operating costs:		
Cost of properties for sale recognised as expense	**(229.3)**	(309.4)
Operating expenses arising from investment properties	**(135.1)**	(124.1)
Reversal of writedowns on development properties held for sale	**44.2**	50.9
Depreciation of tangible assets (see Note 12)	**(1.7)**	(1.1)
Staff costs		
– salaries and benefits in kind	**(68.7)**	(73.9)
– defined contribution pension plan	**(2.6)**	(2.3)
– defined benefit pension plan (see Note 16)	**0.1**	–
	(71.2)	(76.2)
Auditors' remuneration		
– audit	**(1.1)**	(1.1)
– non-audit services	**(0.2)**	(0.1)
	(1.3)	(1.2)

The number of employees at 31st December 2011 was 1,257 (2010: 1,144).

7 Net Financing Charges

	2011 US$m	2010 US$m
Interest expenses		
– bank loans and overdrafts	**(13.7)**	(24.1)
– other borrowings	**(69.0)**	(80.4)
Total interest expenses	**(82.7)**	(104.5)
Interest capitalised	**0.3**	2.7
	(82.4)	(101.8)
Commitment and other fees	**(17.3)**	(10.5)
Financing charges	**(99.7)**	(112.3)
Financing income	**33.2**	35.2
	(66.5)	(77.1)

Financing charges and financing income are stated after taking into account hedging gains or losses.

8 Share of Results of Associates and Joint Ventures

	2011 US$m	2010 US$m
By business		
Commercial Property		
– operating profit	**85.0**	37.2
– net financing charges	**(27.8)**	(14.0)
– tax	**(10.7)**	(2.6)
– net profit	**46.5**	20.6
Residential Property		
– operating profit	**79.6**	196.1
– net financing charges	**(2.6)**	(4.2)
– tax	**(45.8)**	(37.8)
– non-controlling interests	**(1.4)**	(0.8)
– net profit	**29.8**	153.3
Underlying business performance	**76.3**	173.9
Non-trading items:		
Change in fair value of investment properties (net of deferred tax)		
– Commercial Property	**235.8**	722.4
– Residential Property	**2.9**	9.0
	238.7	731.4
Asset impairment provisions, reversals and disposals	**(17.0)**	–
	221.7	731.4
	298.0	905.3

The share of revenue of associates and joint ventures was US$386.0 million (2010: US$555.6 million).

9 Tax

	2011 US$m	2010 US$m
Current tax	**(128.6)**	(115.4)
Deferred tax		
– changes in fair value of investment properties	**(0.9)**	0.7
– other temporary differences	**(5.0)**	(7.4)
	(5.9)	(6.7)
	(134.5)	(122.1)

Reconciliation between tax expense and tax at applicable tax rate:

	2011 US$m	2010 US$m
Tax at applicable tax rate	**(851.5)**	(659.9)
Change in fair value of investment properties not taxable in determining taxable profit	**722.2**	528.7
Expenses not deductible in determining taxable profit	**(11.8)**	(11.8)
Income not subject to tax	**17.0**	22.3
Utilisation of previously unrecognised tax losses	**0.3**	2.2
(Under)/overprovision in prior years	**(3.1)**	0.9
Losses not recognised	**(0.8)**	(0.1)
Deferred tax assets written off	**(1.2)**	(0.2)
Deferred tax liabilities written back	**0.3**	–
Withholding tax	**(5.9)**	(4.2)
	(134.5)	(122.1)

Tax relating to components of other comprehensive income is analysed as follows:

	2011 US$m	2010 US$m
Pension assets	**0.8**	–
Cash flow hedges	**(1.0)**	1.1
	(0.2)	1.1

The applicable tax rate for the year of 16.5% (2010: 16.8%) represents the weighted average of the rates of taxation prevailing in the territories in which the Group operates. The decrease in the applicable tax rate is caused by a change in the profitability of the Group's subsidiaries in the respective territories.

The Group has no tax payable in the United Kingdom (2010: Nil).

Share of tax of associates and joint ventures of US$61.8 million (2010: US$62.0 million) is included in share of results of associates and joint ventures.

10 Earnings per Share

Basic earnings per share is calculated on profit attributable to shareholders of US$5,306.4 million (2010: US$4,739.4 million) and on the weighted average number of 2,322.5 million (2010: 2,249.4 million) shares in issue during the year.

Diluted earnings per share is calculated on profit attributable to shareholders of US$5,309.5 million (2010: US$4,760.6 million), which is after adjusting for the effects of the conversion of convertible bonds, and on the weighted average number of 2,337.6 million (2010: 2,353.2 million) shares in issue during the year. The weighted average number of shares for basic and diluted earnings per share is reconciled as follows:

	Ordinary shares in millions	
	2011	2010
Weighted average number of shares in issue	**2,322.5**	2,249.4
Adjustment for shares to be issued on conversion of convertible bonds	**15.1**	103.8
Weighted average number of shares for diluted earnings per share calculation	**2,337.6**	2,353.2

Earnings per share is additionally calculated based on underlying profit attributable to shareholders. The difference between underlying profit attributable to shareholders and profit attributable to shareholders is reconciled as follows:

	2011			2010		
	US$m	**Basic earnings per share US¢**	**Diluted earnings per share US¢**	US$m	Basic earnings per share US¢	Diluted earnings per share US¢
Underlying profit attributable to shareholders	**703.4**	**30.29**	**30.22**	810.2	36.02	35.33
Non-trading items (see Note 11)	**4,603.0**			3,929.2		
Profit attributable to shareholders	**5,306.4**	**228.48**		4,739.4	210.70	
Interest expense on convertible bonds (net of tax)	**3.1**			21.2		
Profit for calculation of diluted earnings per share	**5,309.5**		**227.13**	4,760.6		202.30

11 Non-trading Items

An analysis of non-trading items after interest, tax and non-controlling interests attributable to shareholders of the Company is set out below:

	2011 US$m	2010 US$m
Change in fair value of investment properties	**4,382.7**	3,197.6
Deferred tax on change in fair value of investment properties	**(0.9)**	0.7
Share of change in fair value of investment properties of associates and joint ventures (net of deferred tax)	**238.7**	731.4
Asset impairment provisions, reversals and disposals	**–**	0.1
Share of asset impairment provisions, reversals and disposals of associates and joint ventures	**(17.0)**	–
Non-controlling interests	**(0.5)**	(0.6)
	4,603.0	3,929.2

12 Tangible Assets

	Investment properties US$m	Other assets US$m	Total US$m
2011			
Cost or valuation	**18,036.0**	**15.1**	**18,051.1**
Cumulative depreciation	**–**	**(10.9)**	**(10.9)**
Net book value at 1st January	**18,036.0**	**4.2**	**18,040.2**
Exchange differences	**28.1**	**–**	**28.1**
Additions	**83.1**	**2.8**	**85.9**
Depreciation	**–**	**(1.7)**	**(1.7)**
Net revaluation surplus	**4,382.7**	**–**	**4,382.7**
Net book value at 31st December	**22,529.9**	**5.3**	**22,535.2**
Cost or valuation	**22,529.9**	**17.8**	**22,547.7**
Cumulative depreciation	**–**	**(12.5)**	**(12.5)**
	22,529.9	**5.3**	**22,535.2**
2010			
Cost or valuation	14,817.7	13.9	14,831.6
Cumulative depreciation	–	(10.0)	(10.0)
Net book value at 1st January	14,817.7	3.9	14,821.6
Exchange differences	(6.9)	0.1	(6.8)
Additions	27.6	1.3	28.9
Depreciation	–	(1.1)	(1.1)
Net revaluation surplus	3,197.6	–	3,197.6
Net book value at 31st December	18,036.0	4.2	18,040.2
Cost or valuation	18,036.0	15.1	18,051.1
Cumulative depreciation	–	(10.9)	(10.9)
	18,036.0	4.2	18,040.2

The Group's investment properties were revalued at 31st December 2011 by independent qualified valuers. The Group employed Jones Lang LaSalle to value its commercial investment properties in Hong Kong, Singapore, Vietnam and Cambodia which are either held under leases with unexpired lease terms of more than 20 years or freehold. The valuations, which conform to the International Valuation Standards issued by the International Valuation Standards Committee and the HKIS Valuation Standards on Properties issued by the Hong Kong Institute of Surveyors, were arrived at by reference to the net income allowing for reversionary potential of each property. The Report of the valuers is set out on page 71.

13 Associates and Joint Ventures

	2011 US$m	2010 US$m
Share of unlisted associates and joint ventures' net assets	**3,551.8**	3,132.2
Goodwill on acquisition	**–**	45.5
	3,551.8	3,177.7

The Group's share of assets, liabilities, capital commitments and contingent liabilities of associates and joint ventures are summarised below:

	2011 US$m	2010 US$m
Non-current assets	**3,306.2**	2,986.1
Current assets	**1,547.1**	1,142.4
Current liabilities	**(592.5)**	(497.0)
Non-current liabilities	**(660.6)**	(496.4)
Non-controlling interests	**(48.4)**	(2.9)
	3,551.8	3,132.2
Capital commitments	**55.6**	112.4
Contingent liabilities	**64.8**	36.6

Movements of associates and joint ventures for the year:

	2011 US$m	2010 US$m
At 1st January	**3,177.7**	2,352.2
Exchange differences	**(14.2)**	89.9
Share of results after tax and non-controlling interests	**298.0**	905.3
Share of other comprehensive income after tax and non-controlling interests	**2.8**	80.8
Dividends received and receivable	**(56.3)**	(270.5)
Net acquisitions and increases in attributable interests	**146.2**	17.9
Others	**(2.4)**	2.1
At 31st December	**3,551.8**	3,177.7

14 Other Investments

	2011 US$m	2010 US$m
Listed securities	**46.5**	57.2
Unlisted securities	**2.1**	2.0
	48.6	59.2
Movements for the year:		
At 1st January	**59.2**	46.4
Exchange differences	**0.1**	(0.2)
Additions	**–**	2.0
Net revaluation (deficit)/surplus	**(10.7)**	11.0
At 31st December	**48.6**	59.2
The fair value measurements of available-for-sale financial assets are based on the following data:		
Quoted prices in active markets	**46.5**	57.2
Unobservable inputs	**2.1**	2.0
	48.6	59.2

15 Deferred Tax Assets and Liabilities

	Tax losses US$m	Accelerated capital allowances US$m	Revaluation surpluses of investment properties US$m	Other temporary differences US$m	Total US$m
2011					
At 1st January	**1.0**	**(46.2)**	**(1.0)**	**(1.5)**	**(47.7)**
Exchange differences	**–**	**(0.1)**	**–**	**–**	**(0.1)**
(Charged)/credited to profit and loss	**0.4**	**(4.2)**	**(0.9)**	**(1.2)**	**(5.9)**
Charged to other comprehensive income	**–**	**–**	**–**	**(0.2)**	**(0.2)**
At 31st December	**1.4**	**(50.5)**	**(1.9)**	**(2.9)**	**(53.9)**
Deferred tax assets	**1.4**	**–**	**–**	**4.1**	**5.5**
Deferred tax liabilities	**–**	**(50.5)**	**(1.9)**	**(7.0)**	**(59.4)**
	1.4	**(50.5)**	**(1.9)**	**(2.9)**	**(53.9)**

15 Deferred Tax Assets and Liabilities continued

	Tax losses US$m	Accelerated capital allowances US$m	Revaluation surpluses of investment properties US$m	Other temporary differences US$m	Total US$m
2010					
At 1st January	0.5	(41.9)	(1.7)	0.8	(42.3)
Exchange differences	0.1	0.1	–	–	0.2
(Charged)/credited to profit and loss	0.4	(4.4)	0.7	(3.4)	(6.7)
Credited to other comprehensive income	–	–	–	1.1	1.1
At 31st December	1.0	(46.2)	(1.0)	(1.5)	(47.7)
Deferred tax assets	1.0	–	–	6.1	7.1
Deferred tax liabilities	–	(46.2)	(1.0)	(7.6)	(54.8)
	1.0	(46.2)	(1.0)	(1.5)	(47.7)

Deferred tax balances predominantly comprise non-current items. Deferred tax assets and liabilities are netted when the taxes relate to the same taxation authority and where offsetting is allowed.

Deferred tax assets of US$1.3 million (2010: US$0.8 million) arising from unused tax losses of US$8.6 million (2010: US$4.7 million) have not been recognised in the financial statements. Of the unused tax losses, US$5.0 million (2010: US$4.4 million) have no expiry date and the balance will expire in 2015.

16 Pension Plans

The Group has a number of defined benefit pension plans, covering all the main territories in which it operates with the major plans relating to employees in Hong Kong. Most of the pension plans are final salary defined benefit plans and are funded. The assets of the funded plans are held independently of the Group's assets in separate trustee administered funds. The Group's major plans are valued by independent actuaries annually using the projected unit credit method.

The principal actuarial assumptions used for accounting purposes at 31st December are as follows:

	2011 Weighted average %	2010 Weighted average %
Discount rate applied to pension obligations	**4.50**	4.85
Expected return on plan assets	**7.50**	7.50
Future salary increases	**5.00**	5.00

The expected return on plan assets is determined on the basis of long-term average returns on global equities of 3.8% to 11.4% (2010: 4.3% to 11.4%) per annum and global bonds of 2.8% to 4.4% (2010: 3.6% to 5.2%) per annum, and the long-term benchmark allocation of assets between equities and bonds in the plan.

16 Pension Plans continued

The amounts recognised in the consolidated balance sheet are as follows:

	2011 US$m	2010 US$m
Fair value of plan assets	**30.3**	33.8
Present value of pension obligations	**(23.9)**	(23.2)
	6.4	10.6

Movements in the fair value of plan assets:

	2011 US$m	2010 US$m
At 1st January	**33.8**	31.4
Exchange differences	**0.1**	(0.1)
Expected return on plan assets	**2.5**	2.3
Contributions from employers and plan members	**0.3**	0.5
Benefits paid	**(2.0)**	(0.9)
Actuarial (loss)/gain	**(4.3)**	0.6
Transfer to other plans	**(0.1)**	–
At 31st December	**30.3**	33.8

Movements in the present value of pension obligations:

	2011 US$m	2010 US$m
At 1st January	**23.2**	21.4
Exchange differences	**0.1**	–
Current service cost	**1.3**	1.3
Interest cost	**1.1**	1.0
Benefits paid	**(2.0)**	(0.9)
Actuarial loss	**0.3**	0.4
Transfer to other plans	**(0.1)**	–
At 31st December	**23.9**	23.2

The analysis of the fair value of plan assets at 31st December is as follows:

	2011 US$m	2010 US$m
Equity instruments	**14.6**	15.8
Debt instruments	**9.4**	9.6
Other assets	**6.3**	8.4
	30.3	33.8

The estimated amount of contributions expected to be paid to the plans in 2012 is US$0.3 million.

The amounts recognised in the consolidated profit and loss account are as follows:

	2011 US$m	2010 US$m
Current service cost	**1.3**	1.3
Interest cost	**1.1**	1.0
Expected return on plan assets	**(2.5)**	(2.3)
Income recognised	**(0.1)**	–
Actual (loss)/return on plan assets in the year	**(1.8)**	2.9

The above amounts are all recognised in arriving at operating profit and are included in cost of sales and administrative expenses.

16 Pension Plans continued

The five year history of experience adjustments is as follows:

	2011 US$m	2010 US$m	2009 US$m	2008 US$m	2007 US$m
Fair value of plan assets	**30.3**	33.8	31.4	25.1	38.2
Present value of pension obligations	**(23.9)**	(23.2)	(21.4)	(19.0)	(20.9)
Surplus	**6.4**	10.6	10.0	6.1	17.3
Experience adjustments on plan assets	**(4.3)**	0.6	4.3	(14.5)	2.5
Percentage of plan assets (%)	**14**	2	14	58	7
Experience adjustments on pension obligations	**0.1**	0.1	1.2	–	(0.1)
Percentage of pension obligations (%)	**–**	–	6	–	–

17 Properties for Sale

	2011 US$m	2010 US$m
Properties under development		
– land and development costs	**1,459.8**	1,114.8
– interest and other expenses capitalised	**26.7**	29.0
	1,486.5	1,143.8
Provision for impairment	**(112.0)**	(156.7)
	1,374.5	987.1
Completed properties	**146.7**	197.3
	1,521.2	1,184.4

At 31st December 2011, no properties for sale (2010: US$404.7 million) were pledged as security for borrowings (2010: US$41.2 million) as shown in Note 21.

18 Debtors

	2011 US$m	2010 US$m
Trade debtors	**22.6**	32.8
Other debtors		
– third parties	**278.0**	178.3
– associates and joint ventures	**84.9**	85.5
	385.5	296.6
Non-current	**72.0**	51.5
Current	**313.5**	245.1
	385.5	296.6

18 Debtors continued

	2011 US$m	2010 US$m
By geographical area of operation		
Greater China	**271.7**	179.6
Southeast Asia and others	**113.8**	117.0
	385.5	296.6

An allowance for impairment of trade debtors is made based on the estimated irrecoverable amount. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payment are considered indicators that the debt is impaired.

At 31st December 2011, no trade debtors (2010: Nil) were impaired and fully provided.

At 31st December 2011, trade debtors of US$4.2 million (2010: US$4.4 million) were past due but not impaired. The ageing analysis of these trade debtors is as follows:

	2011 US$m	2010 US$m
Below 30 days	**3.8**	3.2
Between 31 and 60 days	**0.4**	1.1
Between 61 and 90 days	**–**	0.1
	4.2	4.4

The risk of trade debtors that are neither past due nor impaired at 31st December 2011 becoming impaired is low as most of the balances have been settled subsequent to the year end.

Other debtors are further analysed as follows:

	2011 US$m	2010 US$m
Prepayments	**178.4**	91.2
Derivative financial instruments	**70.0**	55.2
Amounts due from associates and joint ventures	**84.9**	85.5
Others	**29.6**	31.9
	362.9	263.8

The fair value of debtors other than derivative financial instruments approximates their carrying amount, as the impact of discounting is not significant. Derivative financial instruments are stated at fair value.

19 Bank Balances

Bank balances of certain subsidiaries amounting to US$92.9 million (2010: US$80.6 million) are held under the Housing Developers (Project Account) Rules in Singapore, withdrawals from which are subject to the provision of these Rules.

The weighted average interest rate on bank balances of US$911.0 million (2010: US$1,309.9 million) is 0.6% (2010: 0.3%) per annum.

20 Creditors

	2011	2010
	US$m	US$m
Trade creditors	**222.8**	231.1
Tenants' deposits	**165.3**	156.6
Other creditors	**58.6**	66.4
Derivative financial instruments	**22.0**	70.9
Financial liabilities	**468.7**	525.0
Rent received in advance	**6.9**	11.6
Proceeds from property for sale received in advance	**315.1**	279.9
	790.7	816.5
Non-current	**44.4**	93.1
Current	**746.3**	723.4
	790.7	816.5
By geographical area of operation		
Greater China	**375.2**	427.1
Southeast Asia and others	**415.5**	389.4
	790.7	816.5
The remaining contractual maturities of financial liabilities other than derivative financial instruments are analysed as follows:		
Within one year	**307.2**	314.8
Between one and two years	**38.6**	50.6
Between two and five years	**80.2**	72.7
Beyond five years	**20.7**	16.0
	446.7	454.1

Derivative financial instruments are stated at fair value. Other creditors are stated at amortised cost. The fair value of these creditors approximates their carrying amounts.

21 Borrowings

	2011 Carrying amount US$m	2011 Fair value US$m	2010 Carrying amount US$m	2010 Fair value US$m
Current				
Bank overdrafts	**1.2**	**1.2**	1.0	1.0
Current portion of long-term borrowings				
– bank loans	**0.3**	**0.3**	253.8	253.8
– 7% United States dollar bonds due 2011	**–**	**–**	604.9	609.0
– 2.75% United States dollar convertible bonds due 2012	**56.5**	**53.3**	–	–
	58.0	**54.8**	859.7	863.8
Long-term				
Bank loans	**1,062.7**	**1,062.7**	410.7	410.7
5.5% United States dollar bonds due 2014	**544.8**	**544.8**	548.3	548.3
3.65% Singapore dollar notes due 2015	**290.3**	**297.2**	293.3	301.4
2.75% United States dollar convertible bonds due 2012	**–**	**–**	372.8	395.1
Medium term notes				
– due 2017	**41.0**	**41.0**	39.4	39.4
– due 2019	**102.8**	**102.1**	102.6	100.3
– due 2020	**312.7**	**313.1**	307.9	302.4
– due 2021	**71.6**	**71.6**	62.4	62.4
– due 2025	**644.6**	**675.5**	592.6	554.0
– due 2026	**38.4**	**38.2**	–	–
– due 2030	**103.0**	**102.7**	102.8	102.8
– due 2031	**25.3**	**25.6**	–	–
– due 2040	**32.0**	**29.8**	32.0	27.2
	1,371.4	**1,399.6**	1,239.7	1,188.5
	3,269.2	**3,304.3**	2,864.8	2,844.0
	3,327.2	**3,359.1**	3,724.5	3,707.8
Secured	**–**		41.2	
Unsecured	**3,327.2**		3,683.3	
	3,327.2		3,724.5	

The fair values are based on market prices or are estimated using the expected future payments discounted at market interest rates ranging from 0.6% to 2.1% (2010: 0.4% to 3.5%) per annum. The fair values of current borrowings approximate their carrying amount, as the impact of discounting is not significant.

Secured borrowings at 31st December 2010 were certain subsidiaries' bank borrowings which were secured against its properties for sale.

The 5.5% bonds with nominal value of US$500 million due on 28th April 2014 were issued by a wholly-owned subsidiary and are listed on the Singapore Exchange.

21 Borrowings continued

The 3.65% notes due on 5th October 2015 with nominal value of S$375 million, were issued by a wholly-owned subsidiary and are listed on the Singapore Exchange.

The 2.75% convertible bonds with nominal value of US$400 million due on 21st December 2012 are convertible up to and including 11th December 2012 into fully paid ordinary shares of the Company at a conversion price of US$3.85 per ordinary share, which is subject to adjustment for subdivision or consolidation of shares, bonus issues, right issues and other dilutive events. The fair value of the liability component is calculated using a market interest rate for an equivalent non-convertible bond at the time of issue, and is recorded as long-term borrowings on the amortised cost basis, until extinguished on conversion or maturity of the bonds. The residual amount, representing the value of the equity conversion component determined on issue of the bonds, is included in shareholders' funds.

During the year, the Group issued the following notes under the US$3,000 million medium term note programme:

– 3.75% 15-year notes with nominal value of HK$302 million due on 25th November 2026
– 4.125% 20-year notes with nominal value of HK$200 million due on 22nd December 2031

The convertible bonds are recognised in the consolidated balance sheet as follows:

	2011 **US$m**	2010 US$m
Liability component at 1st January	**372.8**	368.1
Interest expense at effective interest rate	**5.0**	21.2
Interest accrued at coupon rate	**(2.1)**	(11.0)
Conversion	**(319.2)**	(5.5)
Liability component at 31st December	**56.5**	372.8

The borrowings are further summarised as follows:

	Fixed rate borrowings				
	Weighted average interest rates %	**Weighted average period outstanding Years**	**US$m**	**Floating rate borrowings US$m**	**Total US$m**
By currency					
2011					
Hong Kong dollar	**2.3**	**11.1**	**1,050.4**	**1,236.0**	**2,286.4**
Singapore dollar	**2.6**	**4.7**	**609.8**	**374.0**	**983.8**
United States dollar	**5.5**	**1.0**	**56.5**	**0.5**	**57.0**
			1,716.7	**1,610.5**	**3,327.2**
2010					
Hong Kong dollar	2.8	8.2	1,234.6	1,196.5	2,431.1
Singapore dollar	2.7	5.0	699.1	220.7	919.8
United States dollar	5.5	2.0	372.8	0.8	373.6
			2,306.5	1,418.0	3,724.5

21 Borrowings continued

The weighted average interest rates and period of fixed rate borrowings are stated after taking into account hedging transactions.

The remaining contractual maturities of the borrowings, including the contractual interest payments, are analysed below. The interest payments are computed using contractual rates and, in the case of floating rate borrowings, based on market rates at the balance sheet date before taking into account hedging transactions. Cash flows denominated in currencies other than United States dollars are converted into United States dollars at the rates of exchange ruling at the balance sheet date.

	2011 US$m	2010 US$m
Within one year	**166.5**	976.4
Between one and two years	**784.9**	548.7
Between two and five years	**1,334.7**	1,385.5
Beyond five years	**1,846.8**	1,757.7
	4,132.9	4,668.3

22 Share Capital

	Ordinary shares in millions		**2011**	2010
	2011	2010	**US$m**	US$m
Authorised				
Shares of US$0.10 each	**4,000.0**	4,000.0	**400.0**	400.0
Issued and fully paid				
At 1st January	**2,250.8**	2,249.3	**225.1**	224.9
Issued on conversion of convertible bonds	**87.3**	1.5	**8.7**	0.2
At 31st December	**2,338.1**	2,250.8	**233.8**	225.1

23 Dividends

	2011 US$m	2010 US$m
Final dividend in respect of 2010 of US¢10.00 (2009: US¢10.00) per share	**232.3**	224.9
Interim dividend in respect of 2011 of US¢6.00 (2010: US¢6.00) per share	**140.2**	135.0
	372.5	359.9

A final dividend in respect of 2011 of US¢10.00 (2010: US¢10.00) per share amounting to a total of US$233.8 million (2010: US$232.3 million) is proposed by the Board. The dividend proposed will not be accounted for until it has been approved at the Annual General Meeting. The amount will be accounted for as an appropriation of revenue reserves in the year ending 31st December 2012.

24 Notes to Consolidated Cash Flow Statement

a) Change in interests in subsidiaries

The increase in 2010 represented the Group's increased attributable interests in MCL Land from 77.4% to 100%.

b) Cash and cash equivalents

	2011 **US$m**	2010 US$m
Bank balances	**967.9**	1,366.7
Bank overdrafts (see Note 21)	**(1.2)**	(1.0)
	966.7	1,365.7

25 Derivative Financial Instruments

The fair values of derivative financial instruments at 31st December are as follows:

	2011		2010	
	Positive fair value US$m	**Negative fair value US$m**	Positive fair value US$m	Negative fair value US$m
Designated as cash flow hedges				
– interest rate swaps	**–**	**9.5**	1.1	11.7
– cross currency swaps	**0.2**	**12.5**	0.2	15.4
Designated as fair value hedges				
– interest rate swaps	**9.8**	**–**	0.6	1.8
– cross currency swaps	**60.0**	**–**	53.3	42.0

The remaining contractual maturities of derivative financial instruments, based on their undiscounted cash outflows, are analysed as follows:

	Within one year US$m	**Between one and two years US$m**	**Between two and five years US$m**	**Beyond five years US$m**
2011				
Net settled				
– interest rate swaps	**5.7**	**3.5**	**1.5**	**–**
Gross settled				
– cross currency swaps	**29.3**	**29.3**	**575.0**	**936.2**
	35.0	**32.8**	**576.5**	**936.2**
2010				
Net settled				
– interest rate swaps	8.4	6.2	5.3	–
Gross settled				
– cross currency swaps	635.5	26.2	571.4	935.2
	643.9	32.4	576.7	935.2

25 Derivative Financial Instruments continued

Interest rate swaps

The notional principal amounts of the outstanding interest rate swap contracts at 31st December 2011 were US$483.4 million (2010: US$611.9 million).

At 31st December 2011, the fixed interest rates relating to interest rate swaps vary from 1.84% to 4.28% (2010: 1.84% to 4.28%).

The fair values of interest rate swaps are based on the estimated cash flows discounted at market rates ranging from 0.38% to 1.86% (2010: 0.28% to 3.32%) per annum.

Cross currency swaps

The contract amounts of the outstanding cross currency swap contracts at 31st December 2011 were US$1,252.2 million (2010: US$1,853.5 million).

26 Commitments

	2011 **US$m**	2010 US$m
Capital commitments		
Authorised not contracted	**475.6**	147.8
Contracted not provided	**415.5**	35.1
	891.1	182.9
Contribution to associates and joint ventures	**480.2**	845.0
Operating lease commitments		
Due within one year	**1.6**	1.3
Due between one and two years	**0.8**	0.5
Due between two and three years	**0.6**	–
	3.0	1.8

27 Contingent Liabilities

Various Group companies are involved in litigation arising in the ordinary course of their respective businesses. Having reviewed outstanding claims and taking into account legal advice received, the Directors are of the opinion that adequate provisions have been made in the financial statements.

28 Related Party Transactions

The parent company of the Group is Jardine Strategic Holdings Limited and the ultimate holding company is Jardine Matheson Holdings Limited. Both companies are incorporated in Bermuda.

In the normal course of business, the Group has entered into a variety of transactions with the subsidiaries, associates and joint ventures of Jardine Matheson Holdings Limited ('Jardine Matheson group members'). The more significant of these transactions are described below:

Management fee

The management fee payable by the Group, under an agreement entered into in 1995, to Jardine Matheson Limited in 2011 was US$3.5 million (2010: US$4.0 million), being 0.5% per annum of the Group's underlying profit in consideration for management consultancy services provided by Jardine Matheson Limited, a wholly-owned subsidiary of Jardine Matheson Holdings Limited.

28 Related Party Transactions continued

Property and other services

The Group rented properties to Jardine Matheson group members. Gross rents on such properties in 2011 amounted to US$20.6 million (2010: US$19.3 million).

Jardine Matheson group members provided property construction, maintenance and other services to the Group in 2011 in aggregate amounting to US$30.0 million (2010: US$30.5 million).

The outstanding balances arising from the above services at 31st December 2011 are not material.

Hotel management services

Jardine Matheson group members provided hotel management services to the Group in 2011 amounting to US$1.9 million (2010: US$1.4 million).

The outstanding balances arising from the above services at 31st December 2011 are not material.

Outstanding balances with associates and joint ventures

Amounts of outstanding balances with associates and joint ventures are included in debtors and creditors as appropriate (see Notes 18 and 20).

Directors' emoluments

Details of Directors' emoluments (being the key management personnel compensation) are shown on page 65 under the heading of 'Directors' Appointment, Retirement, Remuneration and Service Contracts'.

29 Summarised Balance Sheet of the Company

Included below is certain summarised balance sheet information of the Company disclosed in accordance with Bermuda law.

	2011 US$m	2010 US$m
Net operating assets		
Investments at cost		
Unlisted shares in subsidiaries	**4,481.7**	4,481.7
Net amounts due from subsidiaries	**499.2**	213.7
	4,980.9	4,695.4
Creditors and other accruals	**(21.1)**	(19.7)
	4,959.8	4,675.7
Total equity		
Share capital (see Note 22)	**233.8**	225.1
Revenue and other reserves		
Contributed surplus	**2,249.6**	2,249.6
Share premium	**331.9**	5.3
Revenue reserves	**2,144.5**	2,195.7
	4,726.0	4,450.6
Shareholders' funds	**4,959.8**	4,675.7

Subsidiaries are shown at cost less amounts provided.

The contributed surplus was set up on the formation of the Company in 1989 and, under the Bye-laws of the Company, is distributable.

30 Principal Subsidiaries, Associates and Joint Ventures

The principal subsidiaries, associates and joint ventures of the Group at 31st December 2011 are set out below.

	Attributable interests % 2011	2010	Issued share capital		Main activities	Country of incorporation
Subsidiaries						
Hongkong Land International Holdings Limited	**100**	100*	USD	200,000,000	Investment holding	Bermuda
Hongkong Land China Holdings Limited	**100**	100*	USD	200,000,000	Investment holding	Bermuda
Hongkong Land Limited	**100**	100*	USD	12,000	Group management	Bermuda
The Hongkong Land Company, Limited	**100**	100	HKD	1,293,180,006	Property investment	Hong Kong
The Hongkong Land Property Company, Limited	**100**	100	HKD	200	Property investment	Hong Kong
Central Building Ltd.	**71**	71	USD	1,991,547	Property investment	Vietnam
Doan Ket International Co. Ltd.	**73.9**	73.9	USD	7,291,500	Property investment	Vietnam
HKL (Esplanade) Pte Limited	**100**	100	SGD	150,000,000	Property investment	Singapore
HKL Treasury (Singapore) Pte Limited	**100**	100	SGD	2	Finance	Singapore
Hongkong Land CB (2005) Limited	**100**	100	USD	2	Finance	British Virgin Islands
Hongkong Land Singapore (Pte) Ltd	**100**	100	SGD	100,000	Property management	Singapore
The Hongkong Land Treasury Services (Singapore) Pte Limited	**100**	100	SGD	2	Finance	Singapore
MCL Land Limited (details are shown on page 60)	**100**	100	SGD	369,985,977	Property development	Singapore
Radiant Team Limited	**100**	–	USD	2	Investment holding	British Virgin Islands
Reid Street Properties Limited	**100**	100	USD	400	Investment holding	British Virgin Islands
Ample Keen Limited	**100**	100	HKD	2	Property investment	Hong Kong
HKL (Landmark Hotel) Limited	**100**	100	HKD	2	Hotel investment	Hong Kong
King Kok Investment Limited	**90**	90	USD	10,000	Property investment	Mauritius
Starsome Investments Limited	**100**	100	USD	2	Investment holding	British Virgin Islands
WFJ Development Limited	**95**	95	HKD	725,010,000	Property investment	Hong Kong
Beijing Yee Zhi Real Estate Consultancy Co Ltd	**100**	100	USD	150,000	Property consultancy	Mainland China

* Owned directly

30 Principal Subsidiaries, Associates and Joint Ventures continued

	Attributable interests % 2011	2010	Issued share capital		Main activities	Country of incorporation
Subsidiaries continued						
Hongkong Land (Beijing) Management Co Ltd	**100**	100	USD	150,000	Property management	Mainland China
Hongkong Land (Chongqing) Management Co Ltd	**100**	100	USD	150,000	Property investment, development and management	Mainland China
Hongkong Land (One Central) Retail Property Management Limited	**100**	100	MOP	25,000	Management and administration services	Macau
Hongkong Land (Property Management) Limited	**100**	100	HKD	20	Property management	Hong Kong
HKL (Chater House) Limited	**100**	100	HKD	1,500,000	Property investment	Hong Kong
HKL (Prince's Building) Limited	**100**	100	HKD	200	Property investment	Hong Kong
The Hongkong Land Finance (Cayman Islands) Company Limited	**100**	100	USD	2	Finance	Cayman Islands
The Hongkong Land Notes Company Limited	**100**	100	USD	2	Finance	British Virgin Islands
Mulberry Land Company Limited	**100**	100	HKD	200	Property investment	Hong Kong
Tong Yan Development Co., Limited	**100**	100	HKD	400	Property development	Hong Kong
HK Glory Properties Limited	**100**	100	USD	2	Property development	British Virgin Islands
Associates and joint ventures						
Ampang Investments Pte Limited	**40**	40	SGD	10	Hotel investment	Singapore
BFC Development Pte Limited	**33.3**	33.3	SGD	6	Property development	Singapore
Central Boulevard Development Pte Limited	**33.3**	33.3	SGD	6	Property investment	Singapore
Gaysorn Land Company Limited	**49**	49	THB	61,250,000	Property investments and operations	Thailand
Jardine Gibbons Properties Limited	**40**	40	BD	600,000 'A' 400,000 'B'	Property holding	Bermuda
NorthPine Land Inc	**40**	40	Peso	1,224,635,200	Property investment	The Philippines
One Raffles Quay Pte Limited	**33.3**	33.3	SGD	6	Property development	Singapore
P.T. Jakarta Land	**50**	50	IDR	3,320,000,000	Property development and asset management	Indonesia

30 Principal Subsidiaries, Associates and Joint Ventures continued

	Attributable interests % 2011	2010	Issued share capital		Main activities	Country of incorporation
Associates and joint ventures continued						
Basecity Investments Limited	**46.6**	46.6	USD	10,000	Property investment	British Virgin Islands
Beijing Premium Real Estate Limited	**40**	40	USD	12,000,000	Property development	Mainland China
Cosmo City Limited	**50**	50	HKD	2	Property investment	Hong Kong
Longhu Land Limited	**50**	50	USD	12,000,000	Property development	Mainland China
Raise Up Enterprises Limited	**50**	50	USD	10,000	Property investment	British Virgin Islands
Total Champ Limited	**50**	50	HKD	3	Property investment	Hong Kong
Normelle Estates Limited	**50**	50	HKD	10,000	Property investment	Hong Kong
MCL Land Limited's principal subsidiaries, associates and joint ventures						
MCL Land Holdings Pte Ltd	**100**	100	SGD	6,000,000	Property investment	Singapore
Caseldine Investments Pte Ltd	**100**	100	SGD	1,000,000	Property development	Singapore
Kedron Investments Pte Ltd	**100**	100	SGD	1,000,000	Property development	Singapore
MCL Land (Century Gardens) Sdn. Bhd.	**100**	100	MYR	6,608,763	Property investment	Malaysia
MCL Land Development Pte. Ltd.	**100**	100	SGD	1,000,000	Property development	Singapore
MCL Land (Pantai View) Sdn. Bhd.	**100**	100	MYR	2,000,000	Property investment	Malaysia
MCL Land (Pasir Ris) Pte Ltd	**100**	–	SGD	1,000,000	Property development	Singapore
MCL Land (Prime) Pte. Ltd.	**100**	100	SGD	1,000,000	Property development	Singapore
MCL Land (Serangoon) Pte Ltd	**100**	100	SGD	1,000,000	Property development	Singapore
MCL Land (Warren) Pte Ltd	**100**	100	SGD	1,000,000	Property development	Singapore
Maxgrowth Pte. Ltd.	**100**	100	SGD	1,000,000	Property development	Singapore
Calne Pte Ltd	**50**	50	SGD	1,000,000	Property development	Singapore
Golden Quantum Acres Sdn Bhd	**50**	50	MYR	2,764,210	Property development	Malaysia
Grange Development Pte Ltd	**53.5**	53.5	SGD	1,000,000	Property development	Singapore
MSL Properties Sdn Bhd	**50**	50	MYR	3,000,000	Property development	Malaysia
Sunrise MCL Land Sdn Bhd	**50**	50	MYR	2,000,000	Property development	Malaysia

Independent Auditors' Report

To the Members of Hongkong Land Holdings Limited

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Hongkong Land Holdings Limited and its subsidiaries (the 'Group') which comprise the Consolidated Balance Sheet as at 31st December 2011 and the Consolidated Profit and Loss Account, Consolidated Statement of Comprehensive Income, Consolidated Statement of Changes in Equity and Consolidated Cash Flow Statement for the year then ended and a summary of significant accounting policies and other explanatory notes.

Directors' Responsibility for the Financial Statements

The Company's Directors are responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards and with the requirements of Section 90 of the Bermuda Companies Act. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31st December 2011, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and with the requirements of the Bermuda Companies Act.

Report on Legal and Regulatory Requirements

We have nothing to report in respect of the following matters that under the UK Listing Rules we are required to review:

- Directors' statement in relation to going concern; and
- the part of the Corporate Governance Statement relating to the Company's compliance with the UK Corporate Governance Code specified for our review.

Other Matters

This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 90 of the Bermuda Companies Act and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

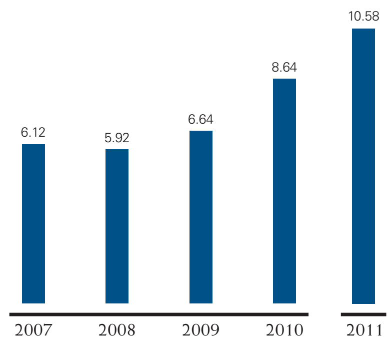
PricewaterhouseCoopers LLP
Chartered Accountants
London
United Kingdom
1st March 2012

Five Year Summary

	2007 US$m	2008 US$m	2009 US$m	2010 US$m	**2011 US$m**
Profit/(loss) attributable to shareholders	3,324	(337)	1,813	4,739	**5,306**
Underlying profit attributable to shareholders	345	375	777	810	**703**
Investment properties	14,261	13,703	14,818	18,036	**22,530**
Net debt	2,431	2,601	2,417	2,358	**2,359**
Shareholders' funds	14,041	13,308	14,936	19,457	**24,739**

	US$	US$	US$	US$	**US$**
Net asset value per share	6.12	5.92	6.64	8.64	**10.58**

Underlying earnings/dividends per share (US¢)



Net asset value per share (US$)

Responsibility Statement

The Directors of the Company confirm to the best of their knowledge that:

a. the consolidated financial statements have been prepared in accordance with International Financial Reporting Standards, including International Accounting Standards and Interpretations adopted by the International Accounting Standards Board; and

b. the sections of this Report, including the Chairman's Statement, Chief Executive's Review and Principal Risks and Uncertainties, which constitute the management report include a fair review of all information required to be disclosed by the Disclosure and Transparency Rules 4.1.8 to 4.1.11 issued by the Financial Services Authority of the United Kingdom.

For and on behalf of the Board

Y.K. Pang
John R. Witt
Directors
1st March 2012

Corporate Governance

Hongkong Land Holdings Limited is incorporated in Bermuda. The Group's property interests are almost entirely in Asia. The Company's equity shares have a premium listing on the London Stock Exchange, and secondary listings in Bermuda and Singapore. The Company attaches importance to the corporate stability that is fundamental to the Group's ability to pursue a long-term strategy in Asian markets. It is committed to high standards of governance. Its approach, however, developed over many years, differs from that envisaged by the UK Corporate Governance Code (the 'UK Code'), which was originally introduced as a guide for United Kingdom incorporated companies listed on the London Stock Exchange. As provided in the Listing Rules issued by the Financial Services Authority in the United Kingdom, the Company's premium listed status requires that this Report address how the main principles of the UK Code have been applied by the Company, and explain the reasons for the different approach adopted by the Company as compared to the UK Code's provisions. The Company's governance differs from that contemplated by provisions of the UK Code on board balance and refreshment, director independence, board evaluation procedures, nomination and remuneration committees and the appointment of a senior independent director.

The Management of the Group

The Company has its dedicated executive management under the Chief Executive. The Memorandum of Association of the Company, however, provides for the chairman of Jardine Matheson Holdings Limited ('Jardine Matheson') to be, or to appoint, the Managing Director of the Company. The managing director of Jardine Matheson has been so appointed. Reflecting this, and the 50% interest of the Jardine Matheson group in the Company's share capital, the Chief Executive and the Managing Director meet regularly. Similarly, the board of the Hong Kong-based Group management company, Hongkong Land Limited ('HKL'), and its finance committee are chaired by the Managing Director and include Group executives as well as the deputy managing director, the group finance director, the group strategy director and the group general counsel of Jardine Matheson.

The Board

The Company currently has a Board of 15 Directors: the Chief Executive and Chief Financial Officer; six executives of Jardine Matheson; and seven non-executive Directors. Their names and brief biographies appear on pages 18 and 19 of this Report. The Chairman has been appointed in accordance with the provisions of the Bye-laws of the Company, which provide that the chairman of Jardine Matheson, or any Director nominated by him, shall be the Chairman of the Company. The composition and operation of the Board reflect the Company's commitment to its long-term strategy, shareholding structure and tiered approach to oversight and management as described in this Report. These factors explain the balance on the Board between executive and non-executive Directors, the stability of the Board, the absence of nomination and remuneration committees and the conduct of Board evaluation procedures. The Board regards Asian business experience and relationships as more valuable attributes of its non-executive Directors than formal independence criteria. Accordingly the Board has not designated a 'senior independent director' as set out in the UK Code. Recommendations and decisions on remuneration result from consultations between the Chairman and the Managing Director and other Directors as they consider appropriate.

Among the matters which the Board of the Company decides are the Group's business strategy, its annual budget, dividends and major corporate activities. Responsibility for implementing the Group's strategy is delegated to the Company's executive management, with decision-making authority within designated financial parameters delegated to the HKL finance committee. In addition, as part of the Company's tiered approach to oversight and management, certain Directors of the Company who do not serve on the board of HKL and who are based outside Asia make regular visits to Asia and Bermuda where they participate in four annual strategic reviews. All of these reviews precede the Board meetings. These Directors are not directly involved in the operational management of the Group's business activities, but their knowledge and close oversight of the Group's affairs reinforces the process by which business is reviewed before consideration by the Board.

The Board is scheduled to hold four meetings in 2012 and ad hoc procedures are adopted to deal with urgent matters. In 2011 one meeting was held in Bermuda and three were held in Asia. All current Directors who held office in 2011 attended all four Board meetings, save that Jenkin Hui attended three meetings and Lord Powell of Bayswater attended two meetings. The Board receives high quality, up to date information for each of its meetings, which has previously been considered and approved at meetings of the board of HKL. This information is also the subject of a strategy review in a cycle of meetings (in Bermuda or Asia, as appropriate) prior to consideration by the Board itself.

The division of responsibilities between the Chairman, the Managing Director and the Chief Executive is well established. The Chairman's role is to lead the Board as it oversees the Group's strategic and financial direction. The Managing Director's principal role is to act as chairman of HKL and of its finance committee, while the responsibility for running the Group's business and all the executive matters affecting the Group rests with the Chief Executive.

Directors' Appointment, Retirement, Remuneration and Service Contracts

Candidates for appointment as executive Directors of the Company, as executive directors of HKL or as senior executives elsewhere in the Group may be sourced internally, from the Jardine Matheson group or externally using the services of specialist executive search firms. The aim is to appoint individuals who combine international best practice with adaptability to Asian markets.

Each new Director is appointed by the Board and, in accordance with Bye-law 92 of the Company's Bye-laws, each new Director is subject to retirement at the first Annual General Meeting after appointment. Thereafter, the Director will be subject to retirement by rotation pursuant to Bye-law 85 whereby one-third of the Directors retire at the Annual General Meeting each year. These provisions apply to both executive and non-executive Directors, but the requirement to retire by rotation pursuant to Bye-law 85 does not extend to the Chairman or Managing Director.

R.C. Kwok retired from the Board of the Company on 12th May 2011. On 1st April 2012, Ben Keswick succeeded A.J.L. Nightingale as Managing Director and Adam Keswick was appointed as a Director of the Company. A.J.L. Nightingale remains as a non-executive Director of the Company. In accordance with Bye-law 85, Mark Greenberg, A.J.L. Nightingale, James Watkins and Percy Weatherall retire by rotation at the Annual General Meeting and, being eligible, offer themselves for re-election. In accordance with Bye-law 92, Adam Keswick and Ben Keswick will also retire, and, being eligible, offer themselves for re-election. None of the Directors proposed for re-election has a service contract with the Company or its subsidiaries.

The Company's policy is to offer competitive remuneration packages to its senior executives. It is recognised that, due to the nature of the Group and its diverse geographic base, a number of its senior executives are required to be offered international terms and the nature of the remuneration packages is designed to reflect this.

Directors' fees, which are payable to all Directors other than the Chief Executive and the Chief Financial Officer, are decided upon by shareholders in general meeting as provided for by the Company's Bye-laws. For the year ended 31st December 2011, the Directors received US$5.2 million (2010: US$3.8 million) in Directors' fees and employee benefits, being US$0.6 million (2010: US$0.6 million) in Directors' fees, US$4.5 million (2010: US$3.1 million) in short-term employee benefits including salary, bonuses, accommodation and deemed benefits in kind and US$0.1 million (2010: US$0.1 million) in post-employment benefits. The information set out in this paragraph forms part of the audited financial statements.

The Company has in place shadow share option schemes under which cash bonuses are paid based on the performance of the Company's share price over a period. The shadow schemes were established to provide longer-term incentives for executive Directors and senior managers. Shadow share options are granted after consultation between the Chairman, the Managing Director and the Chief Executive and other Directors as they consider appropriate.

The Company purchases insurance to cover its Directors against their costs in defending themselves in civil proceedings taken against them in that capacity and in respect of damages resulting from the unsuccessful defence of any proceedings. To the extent permitted by law, the Company also indemnifies its Directors. Neither the insurance nor the indemnity provides cover where the Director has acted fraudulently or dishonestly.

Directors' Responsibilities in respect of the Financial Statements

The Directors are required under the Bermuda Companies Act 1981 to prepare financial statements for each financial year and to present them annually to the Company's shareholders at the Annual General Meeting. The financial statements should present fairly in accordance with International Financial Reporting Standards ('IFRS') the financial position of the Group at the end of the year and the results of its operations and its cash flows for the year then ended. The Directors consider that applicable accounting policies under IFRS, applied on a consistent basis and supported by prudent and reasonable judgements and estimates, have been followed in preparing the financial statements.

Going Concern

The Directors are required to consider whether it is appropriate to prepare financial statements on the basis that the Company and the Group are going concerns. The Group prepares comprehensive financial forecasts and, based on these forecasts, cash resources and existing credit facilities, the Directors consider that the Company and the Group have adequate resources to continue in business for the foreseeable future. For this reason, the Directors continue to adopt the going concern basis in preparing the financial statements.

Code of Conduct

The Group conducts business in a professional, ethical and even-handed manner. Its ethical standards are clearly set out in the Group's Code of Conduct, a set of guidelines to which every employee must adhere. The code requires that all Group companies comply with all laws of general application, all rules and regulations that are industry specific and proper standards of business conduct. The code prohibits the giving or receiving of illicit payments, and requires all employees to be treated fairly, impartially and with respect. It also requires that all managers must be fully aware of their obligations under the Code of Conduct and establish procedures to ensure compliance at all levels within their organisations. The Group has in place procedures by which employees can raise, in confidence, matters of serious concern in areas such as financial reporting or compliance.

Risk Management and Internal Control

The Board has overall responsibility for the Group's system of risk management and internal control. The system of internal control is designed to manage, rather than eliminate, business risk; to help safeguard the Group's assets against fraud and other irregularities; and to give reasonable, but not absolute, assurance against material financial misstatement or loss.

The principal risks and uncertainties facing the Company are set out on page 68.

The Board has delegated to the audit committee of HKL responsibility for reviewing areas of risk and uncertainty, the operation and effectiveness of the Group's system of internal control and the procedures by which these are monitored. The audit committee considers the system and procedures on a regular basis, and reports to the Board semi-annually. The members of the audit committee of HKL are Ben Keswick, Mark Greenberg, Adam Keswick, James Riley and Giles White; they have extensive knowledge of the Group while at the same time not being directly involved in operational management. Ben Keswick and Adam Keswick became members of the HKL audit committee upon their appointment to the Board on 1st April 2012 and Ben Keswick succeeded A.J.L. Nightingale as chairman of the audit committee on that date. The Board considers that the members of the audit committee of HKL have, collectively, the requisite skills, knowledge and experience to enable it to discharge its responsibilities in a proper manner. All the then current members of the audit committee attended both its meetings during the year. The chief executive and chief financial officer of HKL, together with representatives of the internal and external auditors, also attend the audit committee meetings by invitation.

Executive management is responsible for the implementation of the system of internal control throughout the Group. The internal audit function monitors the effectiveness of the system and the approach taken by the business units to risk. The internal audit function is outside the operating businesses and reports its findings, and recommendations for any corrective action required, to the audit committee of HKL. The audit committee of HKL also reviews the effectiveness of the internal audit function.

The Group has in place an organisational structure with defined lines of responsibility and delegation of authority. There are established policies and procedures for financial planning and budgeting; for information and reporting systems; for assessment of risk; and for monitoring the Group's operations and performance. The information systems in place are designed to ensure that the financial information reported is reliable and up to date.

The Company's policy on commercial conduct underpins the Group's internal control process, particularly in the area of compliance. The policy, as set out in the Code of Conduct, is reinforced and monitored by an annual compliance certification process.

The audit committee of HKL has also been given the responsibility to oversee the effectiveness of the formal procedures for employees to raise any matters of serious concern, and is required to review any reports made under those procedures that are referred to it by the internal audit function.

Prior to completion and announcement of the half-year and year-end results, a review of the financial information and of any issues raised in connection with the preparation of the results, including the adoption of new accounting policies, is undertaken by the audit committee of HKL with the executive management and a report is received from the external auditors. The audit committee of HKL also assesses any reports on frauds identified during the period under review. The external auditors also have access to the full Board, in addition to the Chief Executive, Chief Financial Officer and other senior executives.

The audit committee of HKL keeps under review the nature, scope and results of the external audit and the audits conducted by the internal audit function. The audit committee of HKL also keeps under review the independence and objectivity of the external auditors, and as part of that process considers and approves the level and nature of non-audit work performed. The terms of reference of the audit committee of HKL can be found on the Company's website at www.hkland.com.

Directors' Share Interests

The Directors of the Company in office on 1st April 2012 had interests (within the meaning of the Disclosure and Transparency Rules ('DTRs') of the Financial Services Authority (the 'FSA') of the United Kingdom) in the ordinary share capital of the Company at 22nd March 2012 as set out below. These interests included those notified to the Company in respect of the Directors' connected persons (as that term is used in the DTRs in relation to companies incorporated outside the United Kingdom).

Simon Keswick	74,521
Y.K. Pang	38,000
Charles Allen-Jones	60,000
Dr Richard Lee	3,678,685
A.J.L. Nightingale	2,184

Substantial Shareholders

As a non-UK issuer, the Company is subject to the DTRs pursuant to which a person must in certain circumstances notify the Company of the percentage of voting rights attaching to the share capital of the Company that he holds. The obligation to notify arises if that person acquires or disposes of shares in the Company which results in the percentage of voting rights which he holds reaching, exceeding or falling below 5%, 10%, 15%, 20%, 25%, 30%, 50% and 75%.

The Company has been informed of the holding of voting rights of 5% or more attaching to the Company's issued ordinary share capital by Jardine Strategic Holdings Limited ('Jardine Strategic'), which is directly interested in 1,176,616,646 ordinary shares carrying 50.23% of the voting rights. By virtue of its interest in Jardine Strategic, Jardine Matheson is also interested in the same ordinary shares. Apart from this shareholding, the Company is not aware of any holders of voting rights of 5% or more attaching to the issued ordinary share capital of the Company as at 22nd March 2012.

There were no contracts of significance with corporate substantial shareholders during the year under review.

Relations with Shareholders

The 2012 Annual General Meeting will be held at The Fairmont Southampton, Bermuda on 9th May 2012. The full text of the resolutions and explanatory notes in respect of the meeting are contained in the Notice of Meeting which accompanies this Report. All shareholders are invited to attend the Annual General Meeting and participate in communicating with the Company. The Company holds regular meetings with institutional shareholders. A corporate website is maintained containing a wide range of information of interest to investors at www.hkland.com.

Securities Purchase Arrangements

At the Annual General Meeting held on 11th May 2011, shareholders renewed the approval of a general mandate authorising the Directors to effect purchases by the Company or its subsidiaries of the Company's own ordinary shares of less than 15% in aggregate of its issued share capital.

Related Party Transactions

Details of transactions with related parties entered into by the Company during the course of the year are included in Note 28 to the financial statements on pages 56 and 57. There were no transactions entered into by the Company during the course of the year to which the related party transaction rules of the FSA in the United Kingdom apply.

Principal Risks and Uncertainties

The Board has overall responsibility for risk management and internal control. The process by which the Group identifies and manages risk is set out in more detail on page 66 of the Corporate Governance section of this Report. The following are the principal risks and uncertainties facing the Company as required to be disclosed pursuant to the Disclosure and Transparency Rules issued by the Financial Services Authority in the United Kingdom and are in addition to the matters referred to in the Chairman's Statement and Chief Executive's Review.

Economic Risk

The Group is exposed to the risk of negative developments in global and regional economies, and financial and property markets, either directly or through the impact on the Group's joint venture partners, bankers, suppliers or tenants. These developments can result in:

- recession, inflation, deflation and currency fluctuations;
- restrictions in the availability of credit, increases in financing and construction costs and business failures; and
- reductions in office and retail rents, office and retail occupancy and sales prices of, and demand for, residential developments.

Such developments might increase costs of sales and operating costs, reduce revenues, or result in reduced valuations of the Group's investment properties or in the Group being unable to meet in full its strategic objectives.

Commercial Risk and Financial Risk

Risks are an integral part of normal commercial practices, and where practicable steps are taken to mitigate such risks. These risks are further pronounced when operating in volatile markets.

The Group makes significant investment decisions in respect of commercial and residential development projects that take time to come to fruition and achieve the desired returns and are, therefore, subject to market risks. These risks are further pronounced when operating in volatile markets.

The Group operates in areas that are highly competitive, and failure to compete effectively in terms of price, product specification or levels of service can have an adverse effect on earnings as can construction risks in relation to new developments. Significant pressure from such competition may lead to reduced margins. The quality and safety of the products and services provided by the Group are also important and there is an associated risk if they are below standard.

The steps taken by the Group to manage its exposure to financial risk are set out in the Financial Review on page 15 and Note 2 to the financial statements on pages 32 to 36.

Regulatory and Political Risk

The Group is subject to a number of regulatory environments in the territories in which it operates. Changes in the regulatory approach to such matters as foreign ownership of assets and businesses, exchange controls, planning controls, tax rules and employment legislation have the potential to impact the operations and profitability of the Group. Changes in the political environment in such territories can also affect the Group.

Terrorism, Pandemic and Natural Disasters

A number of the Group's interests are vulnerable to the effects of terrorism, either directly through the impact of an act of terrorism or indirectly through the impact of generally reduced economic activity in response to the threat of or an actual act of terrorism.

The Group would be impacted by a global or regional pandemic which could be expected to seriously affect economic activity and the ability of our business to operate smoothly. In addition, many of the territories in which the Group is active can experience from time to time natural disasters such as earthquakes and typhoons.

Shareholder Information

Financial Calendar

2011 full-year results announced	1st March 2012
Share registers closed	19th to 23rd March 2012
Annual General Meeting to be held	9th May 2012
2011 final dividend payable	16th May 2012
2012 half-year results to be announced	26th July 2012 *
Share registers to be closed	20th to 24th August 2012 *
2012 interim dividend payable	10th October 2012 *

* Subject to change

Dividends

Shareholders will receive their dividends in United States dollars, unless they are registered on the Jersey branch register where they will have the option to elect for sterling. These shareholders may make new currency elections for the 2011 final dividend by notifying the United Kingdom transfer agent in writing by 20th April 2012. The sterling equivalent of dividends declared in United States dollars will be calculated by reference to a rate prevailing on 2nd May 2012. Shareholders holding their shares through The Central Depository (Pte) Limited ('CDP') in Singapore will receive United States dollars unless they elect, through CDP, to receive Singapore dollars.

Registrars and Transfer Agent

Shareholders should address all correspondence with regard to their shareholdings or dividends to the appropriate registrar or transfer agent.

Principal Registrar
Jardine Matheson International Services Limited
P.O. Box HM 1068
Hamilton HM EX
Bermuda

Jersey Branch Registrar
Capita Registrars (Jersey) Limited
12 Castle Street
St Helier, Jersey JE2 3RT
Channel Islands

Singapore Branch Registrar
M & C Services Private Limited
138 Robinson Road #17-00
The Corporate Office
Singapore 068906

United Kingdom Transfer Agent
Capita Registrars
The Registry
34 Beckenham Road
Beckenham, Kent BR3 4TU
England

Press releases and other financial information can be accessed through the internet at www.hkland.com.

Offices

Offices

Hongkong Land Holdings Limited

Jardine House
33-35 Reid Street
Hamilton
Bermuda
Tel +1441 292 0515
Fax +1441 292 4072
E-mail: gpobox@hkland.com
John C. Lang

Hongkong Land Limited

One Exchange Square, 8th Floor
Hong Kong
Tel +852 2842 8428
Fax +852 2845 9226
E-mail: gpobox@hkland.com
Y.K. Pang

Hongkong Land (Singapore) Pte. Limited

One Raffles Quay
North Tower #34–03
Singapore 048583
Tel +65 6238 1121
Fax +65 6238 1131
E-mail: gpobox.sg@hkland.com
Robert Garman

Hongkong Land (Asia Management) Limited

Suite 204, 2/F Central Building
31 Hai Ba Trung
Hoan Kiem
Hanoi
Vietnam
Tel +844 3824 0753
Fax +844 3824 0769
E-mail: gpobox.hanoi@hkland.com
Stephen Bruce

Hongkong Land (Beijing) Management Company Limited

Room 303, Block 26, Central Park
No. 6 Chaoyangmenwai Avenue
Chaoyang District
Beijing 100020
China
Tel +8610 6597 0921
Fax +8610 6597 0925
E-mail: gpobox.bj@hkland.com
Joe Kwok / Stanley Ko

Hongkong Land (Chongqing) Management Company Limited

7/F, Zone D, Neptune Building
No. 62 Star Light Road
New North Zone
Chongqing 401147
China
Tel +8623 6703 3016-8
Fax +8623 6703 3888
E-mail: gpobox.cq@hkland.com
Joe Kwok / Ling Chang Feng

Hongkong Land (Premium Investments) Limited

A-One Building, No. 1A, St. 102
Khan Daun Penh, Sangkat Wat Phnom
Phnom Penh
Cambodia
Tel +855 2398 6810
Fax +855 2399 0588
E-mail: gpobox.cambodia@hkland.com
Daniel Parkes

Representative Offices

Shanghai

Unit 1109C, Bund Centre
222 Yanan Road (East)
Shanghai 200002
China
Tel +8621 6335 1220
Fax +8621 6335 0100
E-mail: gpobox.sh@hkland.com
Stanley Ko / Vincent Sun

Vietnam

Unit 503, 5/F Gemadept Tower
2 bis-4-6 Le Thauh Ton, District 1
Ho Chi Minh City
Vietnam
Tel +848 3827 9006
Fax +848 3827 9020
E-mail: gpobox.hcmc@hkland.com
Cosimo Jencks

Report of the Valuers

To Hongkong Land Holdings Limited

Dear Sirs

Revaluation of Commercial Investment Properties Held under Freehold and Leasehold

Further to your instructions, we have valued in our capacity as external valuers the commercial investment properties held under freehold and leasehold as described in Note 12 to the consolidated financial statements of Hongkong Land Holdings Limited. We are of the opinion that the market value of the commercial investment properties held under freehold in Cambodia and leasehold in Hong Kong, Singapore and Vietnam as at 31st December 2011, totalled US$22,391,500,000 (United States Dollars Twenty Two Billion Three Hundred Ninety One Million and Five Hundred Thousand).

Our valuations are prepared in accordance with the International Valuation Standards by the International Valuation Standards Committee and The HKIS Valuation Standards on Properties by The Hong Kong Institute of Surveyors.

We have inspected the properties without either making structural surveys or testing the services. We have been supplied with details of tenure, tenancies and other relevant information.

In arriving at our opinion, each property was valued individually, on market value basis, calculated on the net income allowing for reversionary potential, however no allowance has been made for expenses of realisation or for taxation which might arise in the event of disposal.

Yours faithfully

Jones Lang LaSalle Limited
Hong Kong, 1st March 2012

Major Property Portfolio

at 31st December 2011

Commercial Investment Property

	Attributable interests %	LETTABLE AREA Total	Office	Retail
		(in thousands of square metres)		
Hong Kong				
Alexandra House	100	35	30	5
Chater House	100	43	39	4
Exchange Square	100	139		
One Exchange Square	100		53	–
Two Exchange Square	100		47	–
Three Exchange Square	100		30	–
Podium	100		–	5
The Forum (under redevelopment)	100		4	–
Jardine House	100	63	59	4
The Landmark	100	123		
Gloucester Tower	100		44	–
Atrium	100		–	24
Edinburgh Tower	100		32	13
York House	100		10	–
Prince's Building	100	51	38	13
		454	386	68
Macau				
One Central	46.6	19	–	19
Singapore				
One Raffles Link	100	29	22	7
One Raffles Quay	33.3	124		
North Tower			71	–
South Tower			53	–
Marina Bay Financial Centre	33.3	283		
Tower 1			58	1
Tower 2			95	7
Tower 3 (under construction)			114	8
		436	413	23
Jakarta, Indonesia				
Jakarta Land	50	139		
Wisma Metropolitan I			15	2
Wisma Metropolitan II			16	2
World Trade Center			37	6
World Trade Center II (under construction)			57	4
		139	125	14
Bangkok, Thailand				
Gaysorn Plaza	49	17	5	12
Hanoi, Vietnam				
Central Building	71	4	4	–
63 L'y Thái Tô'	73.9	7	6	1
		11	10	1

Residential Development Property for Sale

	Attributable interests %	Location	Available units at 31st December 2011
Completed development			
Hong Kong			
The Sail at Victoria	100	Victoria Road	4
Serenade	100	Tai Hang Road	41
Mainland China			
Maple Place	90	Beijing	113
Macau			
One Central Residences	46.6	Avenida Dr Sun Yat Sen	8
The Residences & Apartments at Mandarin Oriental	46.6	Avenida Dr Sun Yat Sen	17

	Attributable interests %	Location	Approximate site area (in square metres)
Under development			
Singapore			
Parvis	50	Holland Hill	22,863
D'Mira	100	Boon Teck Road	2,588
The Estuary	100	Yishun Avenue 1/Avenue 2	26,949
A site at Ewe Boon Road	100	Ewe Boon Road	5,906
A site at Sixth Avenue	100	Sixth Avenue	6,412
Uber 388	100	Upper East Coast Road	6,103
Este Villa	100	Nim Road	17,955
Terrasse	100	Hougang Avenue 2	30,196
Ripple Bay	100	Jalan Loyang Besar/ Pasir Ris Drive 4	27,055
Marina Bay Suites	33.3	Central Boulevard	5,290
Mainland China			
Bamboo Grove	50	Chongqing	778,648
Landmark Riverside	50	Chongqing	336,600
Yorkville	100	Chongqing	385,943
A site in New North Zone	100	Chongqing	519,791
W.E. City	50	Chengdu	190,253
Park Life	50	Shenyang	572,419
One Capitol	50	Shenyang	346,721
A site in Shenbei District	50	Shenyang	356,624

HONG KONG – CENTRAL DISTRICT

1 One Exchange Square	4 The Forum – under redevelopment	7 Alexandra House	10 York House
2 Two Exchange Square	5 Jardine House	8 Gloucester Tower	11 Landmark Atrium
3 Three Exchange Square	6 Chater House	9 Edinburgh Tower	12 Prince's Building

HONG KONG

Serenade

MACAU

One Central

INDONESIA

Jakarta Land – Wisma Metropolitan I & II and WTC I

Jakarta Land – WTC II

VIETNAM

63 Lý Thái Tô'

Central Building

THAILAND

Gaysorn

BEIJING, CHINA


The Newly Acquired Wangfujing Site


Central Park


Maple Place

CHONGQING, CHINA


Yorkville*


Landmark Riverside*

CHONGQING, CHINA


Bamboo Grove

CHENGDU, CHINA


W.E. City*

SHENYANG, CHINA


One Capitol

* This rendering is for reference only, subject to change and government approval

SINGAPORE

Marina Bay Financial Centre

One Raffles Quay

Marina Bay Link Mall

CityLink Mall

One Raffles Link

Marina Bay Residences

Marina Bay Suites

The Peak@Balmeg

Este Villa

Uber 388

Terrasse

Hongkong Land Holdings Limited
Jardine House Hamilton Bermuda

www.hkland.com