Hongkong Land Holdings Limited

Annual Report 2010

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Jardines

A member of the Jardine Matheson Group

Bronze sculptures, Water Buffaloes, by Dame Elisabeth Frink at Marina Bay Financial Centre, a joint venture development in Singapore's new Central Business District (front cover).

Hongkong Land is one of Asia's leading property investment, management and development groups. Founded in Hong Kong in 1889, the Group has interests across the region. 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 is helping to create the city-state's new Central Business District 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 also develops premium residential properties in a number of cities in the region, not least in 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
A J L Nightingale Managing Director
Y K Pang Chief Executive
Charles Allen-Jones
Mark Greenberg
Jenkin Hui
Sir Henry Keswick
R C Kwok
Lord Leach of Fairford
Dr Richard Lee
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

A J L Nightingale Chairman
Y K Pang Chief Executive
R M J Chow
R Garman
Mark Greenberg
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

- **Significant contribution from residential developments**
- **Net assets per share up 30%**
- **MCL Land privatised**
- **New development projects in China**

Results

	2010	2009	Change
	US$m	US$m (restated)	%
Underlying profit attributable to shareholders*	**810**	777	4
Profit attributable to shareholders†	**4,739**	1,813	n/m
Shareholders' funds†	**19,457**	14,936	30
Net debt	**2,358**	2,417	(2)
	US¢	US¢	%
Underlying earnings per share	**36.02**	34.55	4
Earnings per share	**210.70**	80.60	n/m
Dividends per share	**16.00**	16.00	–
	US$	US$	%
Net asset value per share	**8.64**	6.64	30

* 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.

† Due to recent amendments to International Financial Reporting Standards, the Group is no longer required to provide for deferred tax on the revaluation of its investment properties in Hong Kong and Singapore where there is no capital gains taxation. The new policy has been applied retrospectively and the comparative figures in the financial statements have been restated.

Chairman's Statement

Overview

Market conditions remained favourable for the Group's office and retail portfolio in the Central district of Hong Kong and for its increasing commercial property investments in Singapore. Results also benefited significantly from residential developments, particularly in Singapore.

Performance

Underlying profit attributable to shareholders for 2010 was US$810 million, an increase of 4% from the record result of 2009. While the contribution from the Group's commercial portfolio was relatively stable, profit from residential activities increased as two large projects in Singapore were completed in addition to projects in Hong Kong and Macau.

Taking into account the results of the independent valuation of the Group's investment properties at 31st December 2010, including the Group's share of properties in joint ventures, the profit attributable to shareholders was US$4,739 million, compared with US$1,813 million in 2009. As a result, the net asset value per share increased to US$8.64, an increase of 30% from the prior year.

Following a change in International Financial Reporting Standards, the Group is no longer required to provide for deferred tax on valuation gains on which no tax liability would arise. The new policy has been applied retrospectively.

The Directors are recommending a final dividend of US¢10.00 per share for 2010, providing a total dividend for the year of US¢16.00 per share, unchanged from 2009.

Group Review

Steady demand for office space in Hong Kong's Central district enabled the Group to maintain rental levels on reversions as rents continued to increase from the lower levels seen in 2009. Vacancy in the office portfolio stood at 2.9% at the end of 2010, while the Group's retail space in Central remained fully let.

In Singapore, demand for office space recovered and rents began to improve in the second half of the year. The first two towers were completed at Marina Bay Financial Centre, in which the Group has a one-third interest. The towers are fully let and tenants began to take occupancy during the second half of the year. Construction of the final office tower, which is 66% pre-let, is scheduled for completion in 2012.

The Group's 50%-owned joint venture in Jakarta commenced construction on a 61,000 sq. m. tower, adjacent to its existing office development, due for completion in 2012.

In the residential sector, MCL Land completed two projects in Singapore, Waterfall Gardens and D'Pavilion. It also pre-sold all the apartments at The Estuary, a development to be completed in 2013, enabling the reversal of a US$39 million writedown previously made in respect of the site acquisition cost. The first residential tower at Marina Bay, which was already fully sold, was completed and the Group benefited from the profit attributable to its one-third interest. A second residential tower, which has been 62% pre-sold, is scheduled for completion in 2013.

In Hong Kong, profits were recognised on approximately one-third of the apartments at the Serenade development, while in Macau profits were recognised following completion of Tower 4 of the 47%-held One Central project. The sale of the final residential component at One Central, the branded apartments adjacent to the newly-opened Mandarin Oriental hotel, began in late 2010 and profits will be recognised on completion in 2011.

Profits were also recorded from the existing residential projects in mainland China; the 90%-owned Maple Place in Beijing and the Bamboo Grove joint venture in Chongqing. Additional units at Bamboo Grove currently under construction, including the project's first high rise apartments, were released to the market and have sold well. The Group increased its interest in its joint venture in Shenyang from 30% to 50%.

Hongkong Land continues to build its residential business on the Mainland. It recently acquired in joint venture a 190,000 sq. m. site for development in the Jinjiang District of Chengdu, which will also include a commercial component. A 386,000 sq. m. site in Chongqing was acquired in the vicinity of its existing Bamboo Grove project, and is the Group's first wholly-owned project on the Mainland. Both of these projects will be developed in phases.

In August 2010, the Group announced its intention to privatise its 77%-owned Singapore-listed affiliate, MCL Land, and made an exit offer to the minority shareholders. The privatisation was completed in early 2011.

People

On behalf of the Board, I would like to extend my appreciation to the employees for their commitment, diligence and dedication which are essential to our continued success.

We welcomed John Witt, the new Chief Financial Officer, to the Board in April 2010.

Outlook

Commercial market conditions in Hong Kong and Singapore are expected to remain favourable in 2011, particularly in Hong Kong where new supply is limited. Profits from the Group's residential activities, however, will be significantly lower in 2011 as there will be fewer completions compared with the previous two years. While over the longer term demand for residential projects should be strong, a number of the Group's markets could be affected by recent government measures to dampen sales activity.

With its strong financial position and market experience, the Group is well-placed to take advantage of future opportunities.

Simon Keswick
Chairman
3rd March 2011

Chief Executive's Review

Hongkong Land again achieved a record underlying profit in 2010 due to the strong performance of its residential business in combination with a steady contribution from its commercial portfolio. There has also been a significant increase in the value of the Group's commercial property portfolio during 2010.

Strategy

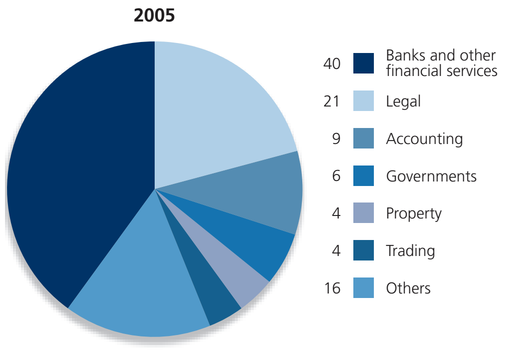
Hong Kong's Central Portfolio

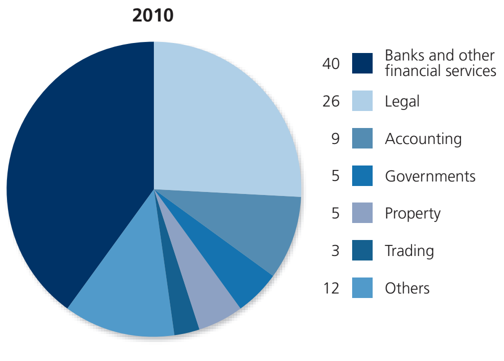
The Group's most important investment continues to be its prime portfolio in the heart of Hong Kong's Central district where it owns and manages some 450,000 sq. m. (five million sq. ft) of office and retail space. Continued focus on the returns from this portfolio is fundamental to the ongoing success of the Group. We continue to manage our 12 Grade A office and retail buildings as a large, integrated mixed-use development.

Luxury retail space in the Central portfolio totals 58,000 sq. m. (620,000 sq. ft). This contributes significantly to the prestige and convenience of the office space, which in turn attracts premium tenants. In 2010, further enhancements to the retail areas were begun. In the Prince's Building, three new flagship stores were opened in 2010: Cartier, Alfred Dunhill and Berluti with a fourth, Van Cleef & Arpels, under construction. At the same time, the Group embarked on a US$20 million renovation of the retail podium, which will be completed in 2011. Restaurants are also an important part of ensuring the ongoing attractiveness of Central. The restaurants introduced into the portfolio over the past few years continue to perform well, attracting customers both during 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, recognising the desirability of both the space and the quality of service which is Hongkong Land's mandate to provide to each of its tenants.

Central portfolio tenant profile by area occupied (%)





Top five office tenants (in alphabetical order)

at 31st December 2010
Credit Suisse
Fortis Bank
JPMorgan
KPMG
PricewaterhouseCoopers

Top five retail tenants (in alphabetical order)

at 31st December 2010
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 providing the highest quality space and service to its tenants. The principal focus has been in Singapore where the Group now has attributable interests of 164,000 sq. m., including the third tower of Marina Bay Financial Centre which is due for completion in 2012. In 2010, the first two towers of Marina Bay Financial Centre opened and are fully let.

Also, in 2010, the Group's 50%-owned joint venture in Jakarta commenced construction within its existing office development of a 61,000 sq. m., 30-storey tower, which is due for completion in 2012. This will be the best-of-class building in the market, targeting premium tenants, particularly from the financial services sector. The office space of the building is already 51% pre-let.

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.

Residential Developments

Based on the Group's experience throughout Asia, a strong and profitable residential business has been established. While our ongoing 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 both the nature of the projects and the accounting policy of only recognising profits on sale at completion. During the past two years, the Group's results have benefited significantly from gains on residential developments. The profit contribution from this sector will, however, be lower in the coming years due to the timing of project completions. Ongoing reinvestment is necessary to continue to build this income stream over the longer term, and in 2010 we acquired new sites in the Chinese cities of Chongqing and Chengdu.

Review of Commercial Property

Hong Kong

In Hong Kong, the Group benefited from favourable market conditions. Demand was relatively consistent throughout the year, from both existing tenants looking for additional space and from new companies. Demand for office space is positively correlated with overall economic activity, which was strong throughout 2010. Financial institutions, law firms and accounting firms continue to account for approximately 75% of the office tenants in the Central portfolio.

Office vacancy at the end of 2010 was 2.9%, a decrease from 4.4% at the end of 2009. In 2010, the average rent across the office portfolio was HK$84.3 per sq. ft compared with HK$84.0 per sq. ft a year earlier. Being able to maintain the average rent level was a pleasing result as spot rents in 2009 were significantly lower than in 2007 when many of the leases coming up for renewal or rent review in 2010 were agreed. There was a significant increase in spot rents in 2010 which enabled the Group to achieve neutral rental reversions. Looking forward, further increases in rents will be necessary if we are to continue to achieve at least neutral reversions as 2010 spot rents remained below the levels achieved in mid-2008, the last market peak. While this will partially depend on overall economic sentiment, the supply of new office space, particularly in Central, over the next few years is anticipated to be limited. The overall vacancy of Hong Kong Grade A office space at 31st December 2010 was 4.7%.

In respect of the Group's retail space, we finished the year with 100% occupancy at an average retail rent of HK$137.1 per sq. ft, a 4% increase over the 2009 average of HK$132.1 per sq. ft. Retail sales for the Group's tenants were strong in 2010.

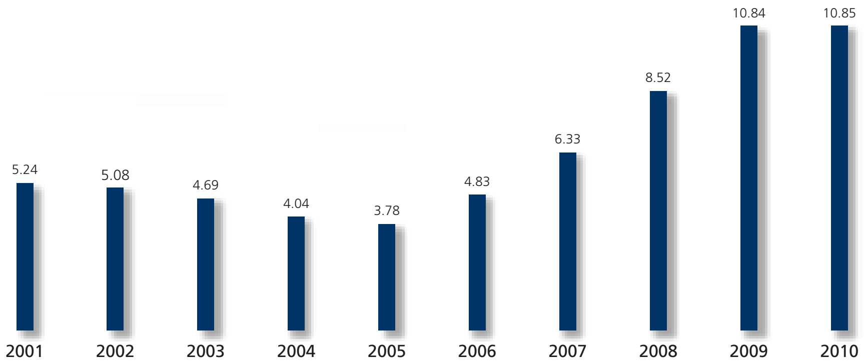
Long-term capital appreciation also has an important impact on the Group. During the year, the value of the Group's Hong Kong portfolio increased by 22%, based on independent valuations performed at 31st December 2010. The total value of the portfolio is now US$17.3 billion. This was due to rising rents as capitalisation rates or equivalent yields remained stable from a year earlier.

Central portfolio

at 31st December 2010	Office	Retail
Capital value (US$m)	14,064	3,236*
Gross revenue (US$m)	562	174*
Equivalent yield (%)		
– One and Two Exchange Square	4.50	
– The Landmark Atrium		4.50
Average unexpired term of leases (years)	3.9	2.7
Area subject to renewal/review in 2011 (%)	24	25

* includes hotel

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



Singapore

While the contribution from the Group's Singapore commercial property investments was modest in comparison with the well-established Hong Kong portfolio, it continued to grow as we began to benefit from the completion of the first two office towers of Marina Bay Financial Centre, in which the Group has a one-third interest. The contribution will continue to increase in 2011 as the tenants of the buildings progressively occupied the buildings only from October onwards. Construction of Tower 3, the largest tower at Marina Bay Financial Centre with 122,000 sq. m., is underway with completion expected in 2012. This tower is now 66% let with DBS Bank as the largest tenant.

Generally, conditions in the Singapore office market improved steadily throughout 2010. This was the result of a 'flight to quality' as tenants looked to upgrade their offices. In addition, there was demand from new or expanding companies in the market, particularly from the financial services sector. This demand for high-quality Grade A office space, particularly in the Central Business District, has reduced significantly the fears of oversupply which were present at the beginning of 2010. As a result, overall rent levels have firmed.

Both One Raffles Link, which is 100% owned by the Group, and One Raffles Quay, which is one-third owned, remained fully let.

Other Commercial Property Investments

In Macau, the retail centre at our 47%-owned joint venture project, One Central, has now been opened for just over one year and is well-established as the most prestigious shopping venue in the city. The retail mall of some 20,000 sq. m. features the world's leading luxury brands. The centre is now 81% occupied with space only remaining on the third floor. The hotel component, a 213-room Mandarin Oriental hotel, opened in June 2010, further complementing this mixed-use complex.

In Jakarta Land, the Group's 50%-owned joint venture currently owns and manages some 80,000 sq. m. of space in three buildings located prominently in Jakarta's Central Business District. These are 96% let. A fourth tower, now under construction, is expected to be completed in 2012.

The performance of the Group's other commercial investment properties in Hanoi, Bangkok and Bermuda has generally been satisfactory. The two buildings in Hanoi, each approximately 70% owned, remained fully let at premium rents to the market. In Bangkok, the performance of the Group's 49%-owned retail and office complex, Gaysorn Plaza, suffered in the first half of the year due to significant civil disturbances, although there has been some recovery in the second half. In Bermuda, Jardine Gibbons Property, in which Hongkong Land has a 40% interest, owns four fully-let commercial buildings in the centre of Hamilton.

Review of Residential Property

2010 was again an active year for our residential property business which achieved record results.

Hong Kong

In Hong Kong, the Group completed the 97-unit Serenade project and benefited from the profits from 33 units which were sold and handed over to buyers before the end of the year. Further units have subsequently been released and sold, and these completions will occur in 2011. The release of the remaining units for sale will depend on market conditions.

Macau

At the successful One Central joint venture project in Macau, most of the 68 units of Tower 4 were sold and handed over to buyers in 2010. Sales of The Residences and Apartments at Mandarin Oriental, which are located in the hotel tower, began late in the year and all but 19 units have been sold. Completion of these sales will take place in 2011 and the profits recognised accordingly. This is the final phase of our residential development at One Central.

Singapore

Our residential businesses in Singapore enjoyed an excellent year. In general, the market conditions were strong, although overall sales activity had begun to be affected by the various measures introduced by the government to cool the market.

At MCL Land, two projects were completed. Waterfall Gardens was a project of 132 apartments, all of which had been pre-sold prior to completion. D'Pavilion which was completed in the second half of the year featured 50 apartments which were also fully sold.

MCL Land launched a 608-unit apartment project called The Estuary, which was fully pre sold in the first half of the year. Completion is anticipated in 2013. MCL Land has three other development sites now under construction in Singapore.

In addition, MCL Land has five development sites in Singapore with a gross floor area of approximately 100,000 sq. m. that are at various stages of planning approval, including a development site at Hougang Avenue 2 which was acquired in 2010 for US$157 million.

Following the completion of the US$160 million privatisation of MCL Land in early 2011, our intention is to maintain the strategy and operations of the company.

The Group's second residential interest in Singapore is its one-third investment in the residential component at Marina Bay. During 2010, the first phase of this, Marina Bay Residences, was completed. While all 428 luxury apartments and penthouses were previously sold, the profit was only recognised on completion in the first half of 2010.

Construction of the second and final phase of the project, called Marina Bay Suites, is now well underway. This phase, which is expected to be completed in 2013, consists of 221 units over an area of some 45,000 sq. m. Approximately 62% of the units have been sold at attractive prices, and the joint venture will release the balance of the units for sale at a later date.

Mainland China

The Group's residential business continues to progress well with developments in Chongqing, Chengdu, Shenyang and Beijing.

In Chongqing, the largest city in Central China, the Group now has three projects.

At Bamboo Grove, our first project in the city, the Group's 50%-owned joint venture with Longfor Properties, completed Phase 3A in the second half of 2010 which consisted of 261 townhouses. Only the two show units remained unsold. Construction of the next phases, Phase 3B and Phase 4, are now underway. In Phase 3B, 143 units are expected to be completed in the second half of 2011 which have all been pre-sold. In Phase 4A, 667 units will be completed of which 656 units have been pre-sold.

On completion, the Bamboo Grove development will comprise some 1.4 million sq. m. of mainly residential space, including villas, townhouses and high-rise apartments. Of this, 340,000 sq. m. have already been developed and sold and 300,000 sq. m. are now under construction.

The Group's second project in Chongqing is Landmark Riverside at Dan Zishi, a joint venture with China Merchants Group established in late 2009. During 2010, work commenced on the master plan for this 34 hectare site which will consist of approximately 1.5 million sq. m. of residential and some prime retail space. Like Bamboo Grove, this site will be developed in a number of phases.

In December 2010, Hongkong Land acquired a third project in the city, for US$445 million. The project, at Zhaomushan, is near the core area of the new Two-River New Area, which is in the vicinity of the Bamboo Grove development. The 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. and will also be developed in a number of phases. This is the Group's first wholly-owned development on the Mainland.

In 2010, the Group also established its first project in Chengdu in a 50%-owned joint venture with KWG Property Holding Group. 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 cost of the site was US$594 million. The total developable area is approximately 900,000 sq. m. Preliminary plans are that 65% will consist of residential, including serviced apartments for strata-sale, while 35% will be commercial, including office, retail and a hotel.

In Shenyang, work continued at our three residential projects in the city, which are located to the north and south of the Central Business District. In 2010, the Group increased its interest in these projects from 30% to 50% for US$80 million. (Further consideration may be payable if the return from the projects exceeds a 12.9% investment return.) Construction work and sales activities have begun on two of the projects, Park Life and One Capitol.

In Beijing, at the Group's 90%-owned project, Maple Place, we completed the sales of 76 units. A further 133 units consisting of villas, townhouses and apartments with a total area of 32,000 sq. m. are available for future sale. Our intention remains to refurbish and sell these units only gradually. Most of the units are currently leased.

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

Over the past two years, the Group has achieved record underlying profits. This has been due primarily to the significant number of residential units completed during the period. In the next few years, the contribution from our residential activity will decrease as the number of completions will decline significantly. Nonetheless, in 2010, we have made new investments to create future profit opportunities for the Group. While various measures by governments around Asia may dampen activity in the shorter-term, we remain convinced of the strong underlying demand for residential units as the Asian economies continue to prosper.

At the same time, the Group's commercial portfolio remains well-placed to benefit from the continued, positive economic conditions throughout the region, particularly in Hong Kong due to the limited new supply of high-quality office space.

Overall, the Group with its excellent financial position, its experience throughout Asia and its group of talented professionals, is well-placed to capitalise on emerging opportunities.

Y K Pang
Chief Executive
3rd March 2011

Financial Review

Accounting Policies

The Directors continue to review the appropriateness of the accounting policies adopted by the Group having regard to developments in International Financial Reporting Standards ('IFRS'). The accounting policies are consistent with those of the previous year, except that the Group has adopted, effective 1st January 2010, the amendments to International Accounting Standard ('IAS') 12 Income Taxes made by the International Accounting Standards Board in December 2010 (which are mandatory from 1st January 2012 onwards). The consequence of this is that the Group is no longer required to provide for deferred tax on the revaluation of its investment properties in Hong Kong and Singapore where there is no taxation of capital gains. This is more fully detailed in the 'basis of preparation' note in the financial statements.

Results

Underlying Profit

The Group's underlying profit attributable to shareholders in 2010 was US$810 million (or US¢36.02 on an earnings per share basis) which 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.

	2010 US$m	2009 US$m
Commercial property	**686**	665
Residential property	**483**	434
Corporate costs, net financing charges and tax	**(313)**	(278)
Minority interests	**(46)**	(44)
Underlying profit attributable to shareholders	**810**	777
	US¢	US¢
Underlying earnings per share	**36.02**	34.55

In 2010, the contribution from Commercial Property increased by 3% to US$686 million. Rental revenues from the Group's Hong Kong portfolio were stable as the average rent per square foot across the office portfolio was relatively constant throughout the year due to largely neutral rental reversions. Retail rents increased modestly.

The contribution from the Group's growing commercial property investments in Singapore rose by approximately 11% largely due to new rental income from the Group's one-third interest at Marina Bay Financial Centre which began to be occupied in the second half of the year. In 2011, the Group will benefit from a full 12 months of rental income from the first two towers of this complex. The contribution from the remaining tower under construction is expected from 2012 onwards.

The contribution from Residential Property increased by 11% to US$483 million. In 2010, the most significant source of profits was from Singapore. At MCL Land, two projects were completed, Waterfall Gardens (132 units) and D'Pavilion (50 units), both of which were largely pre-sold prior to or during construction. In addition, the Group benefited from a US$51 million (US$39 million after minority interests) reversal of a writedown previously made in respect of The Estuary development following the successful launch of the project in 2010 during which all units were pre-sold. The Group continues to carry writedowns of US$146 million made in 2008 in respect of other developments projects owned by MCL Land.

Also in Singapore, there was a significant contribution from the completion of the Marina Bay Residences (428 units), a project which was one-third owned by the Group. All of these units had been previously sold.

Profits were also derived from sales of 33 units of the 97-unit Serenade development in Hong Kong which were completed in 2010 as well as from sales at the Group's various projects on the Mainland, namely the 90%-owned Maple Place in Beijing (76 units), and the 50%-owned Bamboo Grove in Chongqing (295 units).

In 2009, the contribution of US$434 million came from the completion of The Sail at Victoria (84 units), the first six residential towers at One Central Macau (710 units) and ongoing sales at Bamboo Grove (929 units). In addition, in Singapore, MCL Land completed three projects, Tierra Vue (129 units), The Fernhill (25 units) and Hillcrest Villa (161 units).

Net financing charges in 2010, including the Group's share of net financing charges within joint ventures, increased to US$95 million from US$69 million in 2009. This was principally due to the decline in interest income in the year as a result of lower deposit rates in 2010 compared with the prior year. The average interest rate on Group deposits was 0.7% in 2010 compared with 1.9% in 2009. The average interest rate on Group borrowings was 2.8% in 2010, the same rate as in 2009.

The Group's underlying tax charge, including the Group's share of joint ventures, increased to US$163 million from US$158 million in 2009 as a result of the higher profit contribution. The Group's effective tax rate was 16.0% (2009: 16.1%).

Non-Trading Gains

In 2010, the Group had non-trading gains of US$3.9 billion compared with US$1.0 billion in 2009. These arose on revaluations of the Group's investment properties, including its share of joint ventures, which were performed at 31st December 2010 by independent valuers. As the Group adopted the amendments to IAS 12 Income Taxes, no provision for deferred tax was required on the revaluations of its investment properties in Hong Kong and Singapore where there is no capital gains taxation. The new policy has been applied retrospectively and the comparative figures in the financial statements have been restated.

The most significant increase in valuations came from the Group's Hong Kong portfolio in Central. This increased in value by 22% to US$17.3 billion (2009: US$14.2 billion) as a result of increasing rents. Capitalisation rates or equivalent yields were unchanged from those used in the valuations as at 31st December 2009.

Cash Flows

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

	2010 US$m	2009 US$m
Operating activities		
Operating profit, excluding non-trading items	**881**	815
Net interest paid	**(52)**	(32)
Tax paid	**(170)**	(53)
Dividends received from joint ventures	**272**	12
Purchase of residential sites	**(454)**	–
Other	**213**	161
	690	903
Investing activities		
Major renovations capex	**(34)**	(30)
Funding of joint ventures	**(213)**	(373)
Additional 20% interest purchased in Shenyang joint venture	**(80)**	–
Loan repayments from joint ventures	**275**	68
Other	**(2)**	(84)
	(54)	(419)
Financing activities		
Dividends paid by the Company	**(358)**	(292)
Purchase of additional interest in MCL Land	**(160)**	–
Other	**23**	(84)
	(495)	(376)
Net increase in cash and cash equivalents	**141**	108
Cash and cash equivalents at 1st January	**1,225**	1,117
Cash and cash equivalents at 31st December	**1,366**	1,225

In 2010, cash flows from operating activities were US$690 million, compared with US$903 million in 2009. The decrease was primarily due to the acquisition of new residential sites. In 2010, the Group's subsidiaries paid US$454 million (2009: nil) for new residential sites. The sites acquired were MCL Land's Hougang Avenue 2 site in Singapore, for US$157 million and a site in Zhaomushan, Chongqing for which US$297 million was paid in December 2010 out of the total site cost of US$445 million.

Under investing activities, in 2010, the Group had outlays of US$54 million (2009: US$419 million). Investing activities included US$34 million of capital expenditure related to major renovations, principally in respect of the Hong Kong Central portfolio; US$213 million to fund construction at both the Group's one-third owned Marina Bay Financial Centre project in Singapore and the Group's various joint venture projects in China; and US$80 million for the purchase of an additional 20% interest in the Shenyang joint venture. Investing activities in 2009 included US$373 million to fund construction at various joint ventures in Singapore, Macau and China; US$42 million for the purchase of an additional 55% interest in Maple Place in Beijing; and US$38 million to purchase shares in Longfor Properties Co. Ltd., the Group's joint venture partner in Bamboo Grove, Chongqing at the time of its initial public offering in Hong Kong.

Finally, under investment activities, the Group received US$275 million (2009: US$68 million) of loan repayments from joint ventures, including US$228 million from One Raffles Quay following a refinancing.

Under financing activities, the Company paid dividends of US$358 million, reflecting the final 2009 dividend of US¢10.00 per share and the 2010 interim dividend of US¢6.00 per share. Also, 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$1.4 billion (2009: US$1.2 billion).

At 31st December 2010, the Group's net debt was US$2.4 billion, unchanged from US$2.4 billion at the beginning of the year.

Dividends

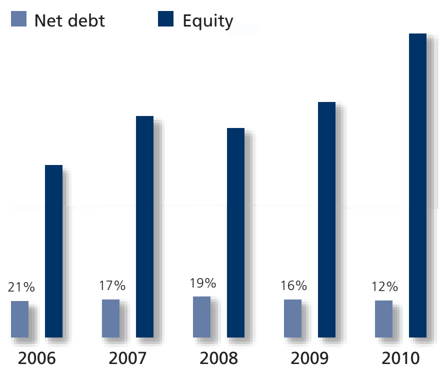
The Board is recommending a final dividend of US¢10.00 per share for 2010 (2009: US¢10.00 per share) for a full year dividend of US¢16.00 per share (2009: US¢16.00 per share). The final dividend will be payable on 18th May 2011, subject to approval at the Annual General Meeting to be held on 11th May 2011, to shareholders on the register of members at the close of business on 18th March 2011. 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.

Net debt as a percentage of equity



Year-end debt summary

	2010 US$m	2009 US$m
US$ convertible bonds	**373**	368
US$ bonds	**1,153**	1,156
US$ bank loans	**1**	2
HK$ bank loans	**1,278**	866
S$ bonds	**293**	503
S$ bank loans	**627**	748
Gross debt	**3,725**	3,643
Cash	**1,367**	1,226
Net debt	**2,358**	2,417

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 gearing of 12% (2009: 16%) and strong liquidity. This decrease 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 11.7 times (2009: 15.3 times).

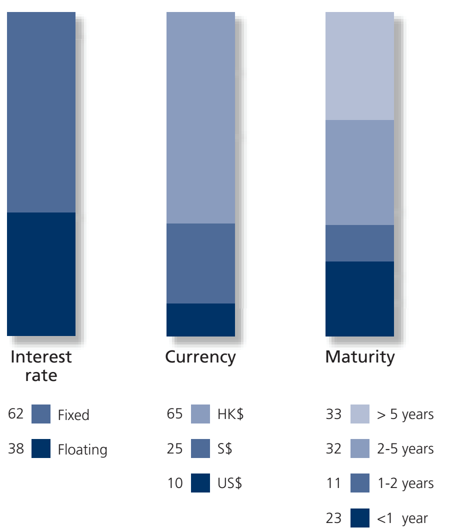
In September 2010, Moody's upgraded its rating of Hongkong Land Holdings Limited to A3 while Standard & Poor's A- rating of the Group was the result of an upgrade in February 2010.

During the year, the Group raised US$1.1 billion under the Group's US$3.0 billion guaranteed medium-term note or MTN programme, with maturities from 10 to 30 years. Included in this, was the Group's first public issue under the MTN programme in September of US$600 million in 15-year notes which was well-received by the market. This US$600 million will be used to refinance US$600 million of bonds which come due in May of this year. The only other significant refinancing in 2011 is a US$621 million, Singapore dollar denominated, syndicated facility expiring in December. Of this, only US$254 million was drawn at the end of 2010.

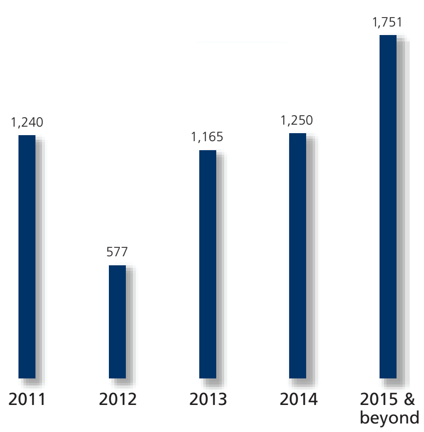
Following the issuance of the longer-dated debt in 2010, the average tenor of the Group's debt, excluding the 7% United States Dollar bonds due in May 2011 which have already been refinanced, is now 5.2 years (2009: 3.4 years).

At the end of 2010, the Group had total committed lines of approximately US$6.0 billion, 51% of which was sourced from the capital markets with the remaining 49% from banks. Of this, the Group had drawn US$3.7 billion leaving US$2.3 billion of committed, but unused facilities. Adding the Group's year-end cash balances, the Group had overall liquidity at 31st December 2010 of US$3.6 billion.

Debt profile as at 31st December 2010 (%)



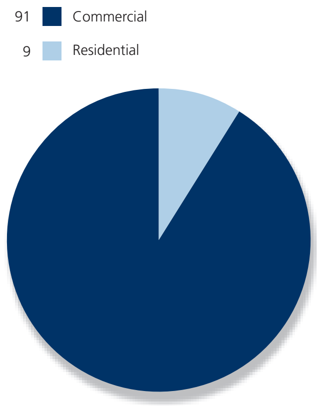
Maturity of committed facility as at 31st December 2010 (US$m)



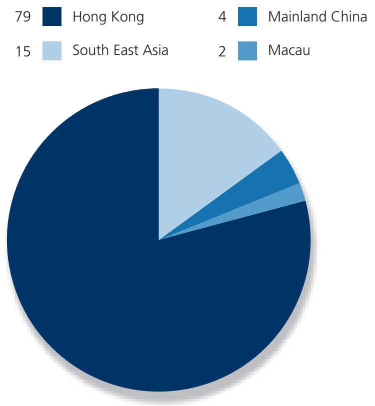
Gross Assets

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

By activity (%)



By location (%)



Principal Risks and Uncertainties

A review of the principal risks and uncertainties facing the Group is set out on page 70.

John R Witt
Chief Financial Officer
3rd March 2011

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.

A J L Nightingale* Managing Director

Mr Nightingale joined the Board and was appointed as Managing Director in 2006. He has served in a number of executive positions since joining the Jardine Matheson group in 1969. He is chairman of Jardine Cycle & Carriage, Jardine Matheson Limited, Jardine Motors and Jardine Pacific, and a commissioner of Astra. He is also managing director of Dairy Farm, Jardine Matheson, Jardine Strategic and Mandarin Oriental. Mr Nightingale is chairman of the Business Facilitation Advisory Committee established by the Financial Secretary in Hong Kong, 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 and a member of Chongqing Mayor's International Economic Advisory Council. He is also chairman of The Sailors Home and Missions to Seamen in Hong Kong.

Y K Pang* Chief Executive

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

John R Witt* Chief Financial Officer

Mr Witt joined the Board as Chief Financial Officer in April 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, a member of the Financial Reporting Review Panel 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.

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, Mandarin Oriental and Rothschilds Continuation. He is also vice chairman of the Hong Kong Association.

R C Kwok

Mr Kwok is a Chartered Accountant and has been a Director of the Group's holding company since 1981. He joined the Jardine Matheson group in 1964 and is a director of Jardine Matheson Limited, Dairy Farm, Jardine Matheson, Jardine Strategic and Mandarin Oriental.

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.

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 held a number of senior positions since first joining the Jardine Matheson group in 1976 until his retirement 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.

* Executive Director

Consolidated Profit and Loss Account

for the year ended 31st December 2010

	Note	2010 Underlying business performance US$m	2010 Non-trading items US$m	2010 Total US$m	2009 Underlying business performance US$m (restated)	2009 Non-trading items US$m (restated)	2009 Total US$m (restated)
Revenue	5	**1,340.6**	**–**	**1,340.6**	1,322.6	–	1,322.6
Net operating costs	6	**(459.2)**	**–**	**(459.2)**	(508.1)	–	(508.1)
		881.4	**–**	**881.4**	814.5	–	814.5
Change in fair value of investment properties	11	**–**	**3,197.6**	**3,197.6**	–	1,000.6	1,000.6
Asset impairment provisions, reversals and disposals	11	**–**	**0.1**	**0.1**	–	(8.4)	(8.4)
Operating profit		**881.4**	**3,197.7**	**4,079.1**	814.5	992.2	1,806.7
Financing charges		**(112.3)**	**–**	**(112.3)**	(110.0)	–	(110.0)
Financing income		**35.2**	**–**	**35.2**	58.0	–	58.0
Net financing charges	7	**(77.1)**	**–**	**(77.1)**	(52.0)	–	(52.0)
Share of results of associates and joint ventures	8	**173.9**	**731.4**	**905.3**	177.8	47.2	225.0
Profit before tax		**978.2**	**3,929.1**	**4,907.3**	940.3	1,039.4	1,979.7
Tax	9	**(122.8)**	**0.7**	**(122.1)**	(120.3)	0.4	(119.9)
Profit after tax		**855.4**	**3,929.8**	**4,785.2**	820.0	1,039.8	1,859.8
Attributable to:							
Shareholders of the Company		**810.2**	**3,929.2**	**4,739.4**	777.1	1,035.9	1,813.0
Minority interests		**45.2**	**0.6**	**45.8**	42.9	3.9	46.8
		855.4	**3,929.8**	**4,785.2**	820.0	1,039.8	1,859.8
				US¢			US¢
Earnings per share	10						
– basic				**210.70**			80.60
– diluted				**202.30**			77.92

Consolidated Statement of Comprehensive Income

for the year ended 31st December 2010

	Note	2010 US$m	2009 US$m (restated)
Profit for the year		**4,785.2**	1,859.8
Revaluation of properties	12	**–**	83.3
Revaluation of other investments		**11.0**	8.5
Net actuarial gain on employee benefit plans		**0.2**	4.0
Net exchange translation differences		**59.1**	15.0
Cash flow hedges			
– net loss arising during the year		**(17.1)**	(7.1)
– transfer to profit and loss		**7.2**	(1.4)
		(9.9)	(8.5)
Share of other comprehensive income of associates and joint ventures		**80.8**	7.6
Tax relating to components of other comprehensive income		**1.1**	(0.8)
Other comprehensive income for the year		**142.3**	109.1
Total comprehensive income for the year		**4,927.5**	1,968.9
Attributable to:			
Shareholders of the Company		**4,870.4**	1,920.4
Minority interests		**57.1**	48.5
		4,927.5	1,968.9

Consolidated Balance Sheet

at 31st December 2010

	Note	At 31st December 2010 US$m	At 31st December 2009 US$m (restated)	At 1st January 2009 US$m (restated)
Net operating assets				
Tangible assets	12			
Investment properties		**18,036.0**	14,817.7	13,702.7
Others		**4.2**	3.9	14.8
		18,040.2	14,821.6	13,717.5
Associates and joint ventures	13	**3,177.7**	2,352.2	1,840.6
Other investments	14	**59.2**	46.4	–
Deferred tax assets	15	**7.1**	3.9	4.5
Pension assets	16	**10.6**	10.0	6.1
Non-current debtors	18	**51.5**	56.7	101.9
Non-current assets		**21,346.3**	17,290.8	15,670.6
Properties for sale	17	**1,184.4**	787.1	838.9
Current debtors	18	**245.1**	315.3	289.2
Bank balances	19	**1,366.7**	1,226.1	1,119.0
Current assets		**2,796.2**	2,328.5	2,247.1
Current creditors	20	**(723.4)**	(687.1)	(668.8)
Current borrowings	21	**(859.7)**	(245.9)	(95.4)
Current tax liabilities		**(69.2)**	(120.6)	(58.2)
Current liabilities		**(1,652.3)**	(1,053.6)	(822.4)
Net current assets		**1,143.9**	1,274.9	1,424.7
Long-term borrowings	21	**(2,864.8)**	(3,397.5)	(3,624.1)
Deferred tax liabilities	15	**(54.8)**	(46.2)	(41.2)
Non-current creditors	20	**(93.1)**	(50.5)	(26.8)
		19,477.5	15,071.5	13,403.2
Total equity				
Share capital	22	**225.1**	224.9	224.9
Revenue and other reserves		**19,231.5**	14,711.2	13,083.2
Shareholders' funds		**19,456.6**	14,936.1	13,308.1
Minority interests		**20.9**	135.4	95.1
		19,477.5	15,071.5	13,403.2

Approved by the Board of Directors on 3rd March 2011

A J L Nightingale

Y K Pang

Directors

Consolidated Statement of Changes in Equity

for the year ended 31st December 2010

		Attributable to shareholders of the Company							Attributable	
		Share capital	Share premium	Revenue reserves	Capital reserves	Hedging reserves	Exchange reserves	Total	to minority interests	Total equity
	Note	US$m	US$m	US$m	US$m	US$m	US$m	US$m	US$m	US$m
2010										
At 1st January										
– as previously reported		**224.9**	**–**	**12,332.5**	**63.4**	**(7.4)**	**142.5**	**12,755.9**	**135.4**	**12,891.3**
– change in accounting policy for deferred tax		**–**	**–**	**2,172.1**	**–**	**–**	**8.1**	**2,180.2**	**–**	**2,180.2**
– as restated		**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 minority 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**
2009										
At 1st January										
– as previously reported		224.9	–	10,901.9	63.4	1.2	121.9	11,313.3	95.1	11,408.4
– change in accounting policy for deferred tax		–	–	1,986.7	–	–	8.1	1,994.8	–	1,994.8
– as restated		224.9	–	12,888.6	63.4	1.2	130.0	13,308.1	95.1	13,403.2
Total comprehensive income		–	–	1,908.4	–	(8.6)	20.6	1,920.4	48.5	1,968.9
Dividends paid by the Company	*23*	–	–	(292.4)	–	–	–	(292.4)	–	(292.4)
Dividends paid to minority shareholders		–	–	–	–	–	–	–	(6.0)	(6.0)
New subsidiary		–	–	–	–	–	–	–	(2.2)	(2.2)
At 31st December		224.9	–	14,504.6	63.4	(7.4)	150.6	14,936.1	135.4	15,071.5

The comprehensive income included in revenue reserves comprises profit attributable to shareholders of US$4,739.4 million (2009: US$1,813.0 million), net fair value gain on other investments of US$11.0 million (2009: US$8.5 million) and net actuarial gain on employee benefit plans of US$0.2 million (2009: US$3.3 million).

Consolidated Cash Flow Statement

for the year ended 31st December 2010

	Note	2010 US$m	2009 US$m (restated)
Operating activities			
Operating profit		**4,079.1**	1,806.7
Depreciation	*6*	**1.1**	1.6
Fixed assets written off		**–**	1.5
Writeback of provision for development properties held for sale	*6*	**(50.9)**	–
Change in fair value of investment properties		**(3,197.6)**	(1,000.6)
Asset impairment provisions, reversals and disposals		**(0.1)**	8.4
(Increase)/decrease in properties for sale		**(296.6)**	152.4
Decrease/(increase) in debtors, prepayments and others		**79.3**	(34.3)
Increase in creditors and accruals		**26.1**	41.4
Interest received		**38.2**	62.3
Interest and other financing charges paid		**(90.2)**	(94.6)
Tax paid		**(169.7)**	(53.1)
Dividends from associates and joint ventures		**271.7**	11.6
Cash flows from operating activities		**690.4**	903.3
Investing activities			
Major renovations expenditure		**(34.6)**	(29.5)
Developments capital expenditure		**(0.2)**	(4.4)
Purchase of a subsidiary		**–**	(42.0)
Investments in and loans to associates and joint ventures		**(17.9)**	(305.2)
Purchase of other investments		**(2.0)**	(37.9)
Cash flows from investing activities		**(54.7)**	(419.0)
Financing activities			
Drawdown of borrowings		**1,404.2**	456.3
Repayment of borrowings		**(1,380.6)**	(541.4)
Change in interests in subsidiaries	*24*	**(159.9)**	–
(Repayment to)/contribution from minority shareholders		**(11.1)**	3.8
Dividends paid by the Company		**(358.2)**	(292.2)
Dividends paid to minority shareholders		**(7.8)**	(6.0)
Cash flows from financing activities		**(513.4)**	(379.5)
Effect of exchange rate changes		**18.4**	3.1
Net increase in cash and cash equivalents		**140.7**	107.9
Cash and cash equivalents at 1st January		**1,225.0**	1,117.1
Cash and cash equivalents at 31st December	*24*	**1,365.7**	1,225.0

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 2010 which are relevant to the Group's operations

Amendments to IFRS 2	Group Cash-settled Share-based Payment Transactions
Amendment to IAS 39	Eligible Hedged Items
IFRIC 17	Distributions of Non-cash Assets to Owners
IFRIC 18	Transfers of Assets from Customers
Improvements to IFRSs (2009)	

The amendments to IFRS 2 'Group Cash-settled Share-based Payment Transactions' incorporate the guidance provided in IFRIC 8 'Scope of IFRS 2' and IFRIC 11 'IFRS 2 – Group and Treasury Share Transactions' and expand on the guidance in IFRIC 11 to address the classification of group arrangements that were not covered by that interpretation.

The amendment to IAS 39 'Eligible Hedged Items' gives additional guidance on the designation of a hedged item and how hedged accounting should be applied in particular situations.

IFRIC 17 'Distribution of Non-cash Assets to Owners' requires that a non-cash dividend payable should be recognised when the dividend is appropriately authorised and is no longer at the discretion of the entity. The dividend should be measured at the fair values of the net assets to be distributed. Any difference between the dividend paid and the carrying amount of the net assets distributed should be included in profit and loss.

IFRIC 18 'Transfers of Assets from Customers' addresses the accounting by recipients for transfers of property, plant and equipment from customers and concludes that when an item of property, plant and equipment transferred meets the definition of an asset from the perspective of the recipient, the recipient should recognise the asset at its fair value on the date of transfer, with the credit being recognised as revenue in accordance with IAS 18 'Revenue'.

IAS 17 (amendment) 'Leases' is part of the 2009 improvement project. It specifies that a land lease may be classified as a finance lease when significant risks and rewards associated with the land are transferred to the lessee despite there being no transfer of title at the end of the lease term.

IFRS 5 (amendment) 'Non-current Assets Held for Sale and Discontinued Operations' is part of the 2009 improvement project. It clarifies that the disclosure requirements in IFRSs other than IFRS 5 do not apply to non-current assets (or disposal groups) classified as held for sale of discontinued operations unless those IFRSs require (i) specific disclosures in respect of non-current assets (or disposal groups) classified as held for sale or discontinued operations, or (ii) disclosures about measurement of assets and liabilities within a disposal group that are not within the scope of the measurement requirement of IFRS 5 and the disclosures are not already provided in the consolidated financial statements.

IAS 1 (amendment) 'Presentation of Financial Statements' is part of the 2009 improvement project. It clarifies that the potential settlement of a liability by the issue of equity is not relevant to its classification as current or non-current.

IAS 36 (amendment) 'Impairment of Assets' is part of the 2009 improvement project. It clarifies that the largest cash-generating unit (or group of units) to which goodwill should be allocated for the purposes of impairment testing is an operating segment, as defined by paragraph 5 of IFRS 8.

IFRIC 16 (amendment) 'Hedges of a Net Investment in a Foreign Operation' is part of the 2009 improvement project. It states that in a hedge of a net investment in a foreign operation, qualifying hedging instruments may be held by any entity or entities within the Group, including the foreign operation itself, as long as the designation, documentation and effectiveness requirements of IAS 39 that relate to a net investment hedge are satisfied.

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

1 Principal Accounting Policies continued

Basis of preparation continued

Amended standard early adopted by the Group

Amendments to IAS 12 Deferred Tax: Recovery of Underlying Assets

The amendments to IAS 12 (effective from 1st January 2012) provides that the measurement of deferred tax liabilities and deferred tax assets arising from investment properties which are measured using the fair value model in IAS 40 should reflect a rebuttable presumption that the carrying amount of the underlying asset will be recovered through sale.

The early adoption of the amendments to IAS 12 has resulted in a change in accounting policy on the provision of deferred tax on revaluation of investment properties. Previously, provision for deferred tax was made at the income tax rates on the revaluation of, and the tax bases of, investment properties held under operating leases on the basis that their values would be recovered through use rather than through sale. In accordance with the amendments, deferred tax is provided at the income tax rates on allowances claimed on these properties and at the capital gains tax rates on the valuation in excess of cost. As the Group’s long leasehold investment properties are located in Hong Kong and Singapore where sales of a capital nature in excess of cost are not taxable, deferred tax liabilities relating to investment properties have been reduced significantly. This change in accounting policy has been accounted for retrospectively and the comparative financial statements have been restated.

Effects of change in accounting policy on the adoption of amendments to IAS 12:

a) On the consolidated profit and loss account for the year ended 31st December

	2010	2009
	US$m	US$m
Increase in share of results of associates and joint ventures	**110.5**	2.6
Decrease in tax	**528.2**	169.3
Increase in profit after tax	**638.7**	171.9
Attributable to:		
Shareholders of the Company	**638.7**	171.9
	US¢	US¢
Increase in basic earnings per share	**28.39**	7.64
Increase in diluted earnings per share	**27.14**	7.30

b) On the consolidated balance sheet at 31st December

	Increase in assets	(Increase)/decrease in equity/liabilities	
	Associates and joint ventures	Revenue and other reserves	Deferred tax liabilities
	US$m	US$m	US$m
2010	**166.5**	**(2,821.9)**	**2,655.4**
2009	47.0	(2,180.2)	2,133.2
2008	43.1	(1,944.8)	1,951.7

1 Principal Accounting Policies continued

Basis of preparation continued

Standards, amendments and interpretations effective after 2010 which are relevant to the Group's operations and yet to be adopted

IFRS 9	Financial Instruments
Revised IAS 24	Related Party Disclosures
Amendment to IAS 32	Classification of Right Issues
Amendments to IFRIC 14	Prepayments of a Minimum Funding Requirement
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments
Improvements to IFRSs (2010)	

IFRS 9 'Financial Instruments' (effective from 1st January 2013) is the first part of a project to replace IAS 39. It addresses the classification and measurement of financial assets. IFRS 9 is likely to affect the Group's accounting for its financial assets. The Group will apply IFRS 9 from 1st January 2013 and is yet to assess IFRS 9's full impact.

Revised IAS 24 'Related Party Disclosures' (effective from 1st January 2011) supersedes IAS 24 (as revised in 2003). It simplifies the disclosure requirements for government-related entities and clarifies the definition of a related party. The Group will apply IAS 24 and provide the required disclosure from 1st January 2011.

Amendment to IAS 32 'Classification of Rights Issues' (effective from 1st February 2010) 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. The Group will apply amendment to IAS 32 from 1st January 2011. To date, the Group has not entered into any arrangements that would fall within the scope of the amendments.

Amendments to IFRIC 14 'Prepayments of a Minimum Funding Requirement' (effective from 1st January 2011) require an entity to recognise an asset for a prepayment that will reduce future minimum funding contributions required by the entity. The Group will apply amendments to IFRIC 14 from 1st January 2011, but it is not expected to have any significant impact on the results of the Group.

IFRIC 19 'Extinguishing Financial Liabilities with Equity Instruments' (effective from 1st July 2010) 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 Group will apply IFRIC 19 from 1st January 2011 and is in the process of making an assessment of the impact of this interpretation.

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 (amendment) 'Business Combinations', IFRS 7 (amendment) 'Financial Instruments: Disclosures', IAS 1 (amendment) 'Presentation of Financial Statements', IAS 34 (amendment) 'Interim Financial Reporting' and IFRIC 13 (amendment) 'Customer Loyalty Programmes'. The adoption of these amendments is not expected to have any significant impact on the results of the Group.

IFRS 3 (amendments) 'Business Combinations' (effective from 1st July 2010) 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 unreplaced and voluntarily replaced share-based payment awards. The Group will apply the amendments from 1st January 2011.

IFRS 7 (amendments) 'Financial Instruments: Disclosures' (effective from 1st January 2011) emphasize the interaction between qualitative and quantitative disclosures and the nature and extent of risks associated with financial instruments. The Group will apply the amendments from 1st January 2011.

IAS 1 (amendments) 'Presentation of Financial Statements' (effective from 1st January 2011) 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. The Group will apply the amendments from 1st January 2011.

IAS 34 (amendments) 'Interim Financial Reporting' (effective from 1st January 2011) 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. The Group will apply the amendments from 1st January 2011.

IFRIC 13 (amendment) 'Customer Loyalty Programmes' (effective from 1st January 2011) 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. The Group will apply the amendment from 1st January 2011.

1 Principal Accounting Policies continued

Basis of preparation continued

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 minority interests, and profit respectively.

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) Minority 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.

1 Principal Accounting Policies continued

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. Minority 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 the entity sold.

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.

1 Principal Accounting Policies continued

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.

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.

1 Principal Accounting Policies continued

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.

1 Principal Accounting Policies continued

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.

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 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. 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 2010 are disclosed in Note 25.

2 Financial Risk Management continued

Financial risk factors continued

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 2010, 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.

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 2010, the Group's interest rate hedge was 62% (2009: 52%) with an average tenor of six years (2009: three 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 2010, 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$7 million (2009: US$5 million) higher/lower, and hedging reserve would have been US$45 million (2009: US$22 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 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.

2 Financial Risk Management continued

Financial risk factors continued

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 2010, 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$15 million (2009: US$12 million) higher/lower. The sensitivity analysis has been determined based on a reasonable expectation of possible valuation volatility over the next 12 months.

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, capital adequacy ratios, and limiting the aggregate risk to any individual counterparty. The utilisation of credit limits is regularly monitored. At 31st December 2010, 100% (2009: 100%) of deposits and balances with banks were made to institutions with credit ratings of no less than A3 (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. The Group's exposure to credit risk arising from debtors is set out in Note 18 and totals US$33 million (2009: US$66 million). The Group's exposure to credit risk arising from exposure to derivative financial instruments with a positive fair value is disclosed in Note 18 as a component of other debtors and totals US$55 million (2009: US$64 million). The Group's exposure to credit risk arising from deposits and balances with banks is set out in Note 19 and totals US$1,367 million (2009: US$1,226 million).

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 2010, total available borrowing facilities amounted to US$6,184 million (2009: US$5,291 million) of which US$3,725 million (2009: US$3,643 million) was drawn down. Undrawn committed facilities, in the form of revolving credit and term loan facilities, totalled US$2,262 million (2009: US$1,463 million).

An ageing analysis of the Group's financial liabilities based on the remaining period at the balance sheet to the contractual maturity dates is included in Notes 20, 21 and 25.

2 **Financial Risk Management** continued

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 joint ventures divided by net financing charges including the Group's share of net financing charges within joint ventures. The Group does not have a defined gearing or interest cover benchmark or range.

The ratios at 31st December 2009 and 2010 are as follows:

	2010	2009
Gearing ratio (%)	12	16
Interest cover (times)	12	15

The decrease in gearing ratio at 31st December 2010 is largely a result of higher investment properties valuations. The decrease in interest cover for the year then ended as compared to 2009 is primarily due to higher net financing charges.

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 value of interest rate swaps is calculated by reference to the present value of the estimated future cash flows, taking into account current interest rates as observed from the market. The fair value of forward foreign exchange contracts is determined using forward exchange market rates of the same remaining tenor at the balance sheet date.

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 subsidiary, associates and joint ventures

The initial accounting on the acquisition of subsidiary, 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.

Impairment of assets

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 by 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.

3 Critical Accounting Estimates and Judgements continued

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	
	2010	2009	**2010**	2009	**2010**	2009	**2010**	2009	**2010**	2009
	US$m	US$m	**US$m**	US$m	**US$m**	US$m	**US$m**	US$m	**US$m**	US$m
By business										
Commercial property	**775.3**	759.8	**649.0**	638.2	**684.5**	664.0	**18,047.7**	14,851.0	**(309.2)**	(260.1)
Residential property	**565.3**	562.8	**287.1**	227.7	**432.5**	384.3	**1,465.4**	1,117.2	**(440.3)**	(418.9)
Corporate, net financing charges and tax	**–**	–	**(54.7)**	(51.4)	**(306.8)**	(271.2)	**–**	–	**–**	–
	1,340.6	1,322.6	**881.4**	814.5	**810.2**	777.1	**19,513.1**	15,968.2	**(749.5)**	(679.0)
Change in fair value of investment properties	**–**	–	**3,197.6**	1,000.6	**–**	–	**–**	–	**–**	–
Asset impairment provisions, reversals and disposals	**–**	–	**0.1**	(8.4)	**–**	–	**–**	–	**–**	–
	1,340.6	1,322.6	**4,079.1**	1,806.7	**810.2**	777.1	**19,513.1**	15,968.2	**(749.5)**	(679.0)
By geographical location										
Greater China	**935.9**	834.4	**3,821.3**	1,781.1	**761.7**	861.3	**18,081.6**	14,772.0	**(385.3)**	(395.0)
Southeast Asia and others	**404.7**	488.2	**312.5**	77.0	**355.3**	187.0	**1,431.5**	1,196.2	**(364.2)**	(284.0)
Corporate, net financing charges and tax	**–**	–	**(54.7)**	(51.4)	**(306.8)**	(271.2)	**–**	–	**–**	–
	1,340.6	1,322.6	**4,079.1**	1,806.7	**810.2**	777.1	**19,513.1**	15,968.2	**(749.5)**	(679.0)

	2010 US$m	2009 US$m
Operating profit	**4,079.1**	1,806.7
Results of associates and joint ventures	**905.3**	225.0
Net financing charges and tax	**(199.2)**	(171.9)
Profit after tax	**4,785.2**	1,859.8

	Segment assets **2010** US$m	2009 US$m	Segment liabilities **2010** US$m	2009 US$m
Segment assets and liabilities	**19,513.1**	15,968.2	**(749.5)**	(679.0)
Investments in associates and joint ventures	**3,177.7**	2,352.2	**–**	–
Unallocated assets and liabilities	**1,451.7**	1,298.9	**(3,915.5)**	(3,868.8)
Total assets and liabilities	**24,142.5**	19,619.3	**(4,665.0)**	(4,547.8)

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

	2010 US$m	2009 US$m
Rental income	**681.8**	669.0
Service income	**102.2**	95.4
Sales of properties	**556.6**	558.2
	1,340.6	1,322.6

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

Total contingent rents included in rental income amounted to US$9.9 million (2009: US$7.5 million).

	2010 US$m	2009 US$m
The future minimum rental payments receivable under non-cancellable leases are as follows:		
Within one year	**598.8**	588.7
Between one and two years	**376.3**	399.8
Between two and five years	**402.2**	308.1
Beyond five years	**76.3**	75.5
	1,453.6	1,372.1

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

6 Net Operating Costs

	2010 US$m	2009 US$m
Cost of sales	**(382.6)**	(437.8)
Other income	**5.0**	2.2
Administrative expenses	**(81.6)**	(72.5)
	(459.2)	(508.1)

The following credits/(charges) are included in net operating costs:

	2010 US$m	2009 US$m
Cost of properties for sale recognised as expense	**(309.4)**	(318.8)
Operating expenses arising from investment properties	**(124.1)**	(119.0)
Reversal of writedown on developement properties held for sale	**50.9**	–
Depreciation of tangible assets (see Note 12)	**(1.1)**	(1.6)
Staff costs		
– salaries and benefits in kind	**(73.9)**	(69.9)
– defined contribution pension plan	**(2.3)**	(2.3)
– defined benefit pension plan (see Note 16)	**–**	(0.5)
	(76.2)	(72.7)

The number of employees at 31st December 2010 was 1,144 (2009: 1,104).

7 Net Financing Charges

	2010 US$m	2009 US$m
Interest expenses		
– Bank loans and overdrafts	**(24.1)**	(35.6)
– Other borrowings	**(80.4)**	(67.5)
Total interest expenses	**(104.5)**	(103.1)
Interest capitalised	**2.7**	8.2
	(101.8)	(94.9)
Commitment and other fees	**(10.5)**	(15.1)
Financing charges	**(112.3)**	(110.0)
Financing income	**35.2**	58.0
	(77.1)	(52.0)

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

8 Share of Results of Associates and Joint Ventures

	2010 US$m	2009 US$m
By business		
Commercial property		
– Operating profit	**37.2**	27.1
– Net financing charges	**(14.0)**	(11.2)
– Tax	**(2.6)**	(1.3)
– Net profit	**20.6**	14.6
Residential property		
– Operating profit	**196.1**	206.2
– Net financing charges	**(4.2)**	(5.3)
– Tax	**(37.8)**	(36.5)
– Minority interests	**(0.8)**	(1.2)
– Net profit	**153.3**	163.2
Underlying business performance	**173.9**	177.8
Non-trading items:		
Change in fair value of investment properties (net of deferred tax)		
– Commercial property	**722.4**	50.8
– Residential property	**9.0**	0.6
	731.4	51.4
Asset impairment provisions, reversals and disposals	**–**	(4.2)
	731.4	47.2
	905.3	225.0

The share of revenue of associates and joint ventures was US$555.6 million (2009: US$538.8 million).

9 Tax

	2010 US$m	2009 US$m
Current tax	**(115.4)**	(115.0)
Deferred tax		
– changes in fair value of investment properties	**0.7**	0.4
– other temporary differences	**(7.4)**	(5.3)
	(6.7)	(4.9)
	(122.1)	(119.9)

Reconciliation between tax expense and tax at applicable tax rate:

	2010 US$m	2009 US$m
Tax at applicable tax rate	**(659.9)**	(289.4)
Change in Singapore profits tax rate	**–**	(0.1)
Change in fair value of investment properties not taxable in determining taxable profit	**528.7**	164.6
Asset impairment provisions, reversals and disposals not deductible in determining taxable profit	**–**	(2.2)
Expenses not deductible in determining taxable profit	**(11.8)**	(6.2)
Income not subject to tax	**22.3**	12.9
Utilisation of previously unrecognised tax losses	**2.2**	0.4
Overprovision in prior years	**0.9**	2.4
Losses not recognised	**(0.1)**	(0.7)
Deferred tax assets written off	**(0.2)**	(1.0)
Deferred tax liabilities written back	**–**	0.4
Withholding tax	**(4.2)**	(1.0)
	(122.1)	(119.9)

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

	2010 US$m	2009 US$m
Pension assets	**–**	(0.7)
Cash flow hedges	**1.1**	(0.1)
	1.1	(0.8)

The applicable tax rate for the year of 16.8% (2009: 16.5%) represents the weighted average of the rates of taxation prevailing in the territories in which the Group operates. The increase 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 (2009: Nil).

Share of tax of associates and joint ventures of US$62.0 million (2009: US$47.3 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$4,739.4 million (2009: US$1,813.0 million) and on the weighted average number of 2,249.4 million (2009: 2,249.3 million) shares in issue during the year.

Diluted earnings per share is calculated on profit attributable to shareholders of US$4,760.6 million (2009: US$1,833.7 million), which is after adjusting for the effects of the conversion of convertible bonds, and on the weighted average number of 2,353.2 million (2009: 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	
	2010	2009
Weighted average number of shares in issue	**2,249.4**	2,249.3
Adjustment for shares to be issued on conversion of convertible bonds	**103.8**	103.9
Weighted average number of shares for diluted earnings per share calculation	**2,353.2**	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:

	2010			2009		
	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	**810.2**	**36.02**	**35.33**	777.1	34.55	33.90
Non-trading items (see Note 11)	**3,929.2**			1,035.9		
Profit attributable to shareholders	**4,739.4**	**210.70**		1,813.0	80.60	
Interest expense on convertible bonds (net of tax)	**21.2**			20.7		
Profit for calculation of diluted earnings per share	**4,760.6**		**202.30**	1,833.7		77.92

11 Non-trading Items

An analysis of non-trading items after interest, tax and minority interests is set out below:

	2010	2009
	US$m	US$m
Change in fair value of investment properties	**3,197.6**	1,000.6
Deferred tax on change in fair value of investment properties	**0.7**	0.4
Share of change in fair value of investment properties of associates and joint ventures (net of deferred tax)	**731.4**	51.4
Asset impairment provisions, reversals and disposals	**0.1**	(8.4)
Share of asset impairment provisions, reversals and disposals of associates and joint ventures	**–**	(4.2)
Minority interests	**(0.6)**	(3.9)
	3,929.2	1,035.9

12 Tangible Assets

	Investment properties US$m	Other properties US$m	Other assets US$m	Total US$m
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**
2009				
Cost or valuation	13,702.7	10.9	15.3	13,728.9
Cumulative depreciation	–	(2.6)	(8.8)	(11.4)
Net book value at 1st January	13,702.7	8.3	6.5	13,717.5
Exchange differences	2.6	–	–	2.6
Additions	21.0	0.7	0.4	22.1
Depreciation	–	(0.1)	(1.5)	(1.6)
Written off	–	–	(1.5)	(1.5)
Net revaluation surplus	1,000.6	83.3	–	1,083.9
Transfer	90.8	(92.2)	–	(1.4)
Net book value at 31st December	14,817.7	–	3.9	14,821.6
Cost or valuation	14,817.7	–	13.9	14,831.6
Cumulative depreciation	–	–	(10.0)	(10.0)
	14,817.7	–	3.9	14,821.6

The Group's investment properties were revalued at 31st December 2010 by independent qualified valuers. The Group employed Jones Lang LaSalle to value its commercial investment properties in Hong Kong, Singapore and Vietnam which are held under leases with unexpired lease terms of more than 20 years. 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 73.

The other properties revaluation surplus of US$83.3 million had been taken to asset revaluation reserve which was included in the revenue reserves as at 31st December 2009.

13 Associates and Joint Ventures

	2010 US$m	2009 US$m
Share of unlisted associates and joint ventures' net assets	**3,132.2**	2,325.6
Goodwill on acquisition	**45.5**	26.6
	3,177.7	2,352.2

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

	2010 US$m	2009 US$m
Non-current assets	**2,986.1**	1,845.2
Current assets	**1,142.4**	1,193.9
Current liabilities	**(497.0)**	(454.4)
Non-current liabilities	**(496.4)**	(256.4)
Minority interests	**(2.9)**	(2.7)
	3,132.2	2,325.6
Capital commitments	**112.4**	184.1
Contingent liabilities	**36.6**	42.4

Movements of associates and joint ventures for the year:

	2010 US$m	2009 US$m
At 1st January		
– as previously reported	**2,305.2**	1,797.5
– change in accounting policy for deferred tax	**47.0**	43.1
– as restated	**2,352.2**	1,840.6
Exchange differences	**89.9**	24.5
Share of results after tax and minority interests	**905.3**	225.0
Share of other comprehensive income after tax and minority interests	**80.8**	7.6
Dividends received and receivable	**(270.5)**	(12.8)
Net acquisitions and increases in attributable interests	**17.9**	305.2
Reclassification of a joint venture as subsidiary	**–**	(29.2)
Others	**2.1**	(8.7)
At 31st December	**3,177.7**	2,352.2

14 Other Investments

	2010 US$m	2009 US$m
Listed securities	**57.2**	46.4
Unlisted securities	**2.0**	–
	59.2	46.4
Movements for the year:		
At 1st January	**46.4**	–
Exchange differences	**(0.2)**	–
Additions	**2.0**	37.9
Net revaluation surplus	**11.0**	8.5
At 31st December	**59.2**	46.4
The fair value measurements of available-for-sale financial assets are based on the following data:		
Quoted prices in active markets	**57.2**	46.4
Unobservable inputs	**2.0**	–
	59.2	46.4

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
2010					
At 1st January					
– as previously reported	**0.5**	**(41.9)**	**(2,134.9)**	**0.8**	**(2,175.5)**
– change in accounting policy for deferred tax	**–**	**–**	**2,133.2**	**–**	**2,133.2**
– as restated	**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)**

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
2009					
At 1st January					
– as previously reported	–	(35.9)	(1,953.8)	1.3	(1,988.4)
– change in accounting policy for deferred tax	–	–	1,951.7	–	1,951.7
– as restated	–	(35.9)	(2.1)	1.3	(36.7)
Exchange differences	–	–	–	0.1	0.1
(Charged)/credited to profit and loss	0.5	(6.0)	0.4	0.2	(4.9)
Charged to other comprehensive income	–	–	–	(0.8)	(0.8)
At 31st December	0.5	(41.9)	(1.7)	0.8	(42.3)
Deferred tax assets	0.5	–	–	3.4	3.9
Deferred tax liabilities	–	(41.9)	(1.7)	(2.6)	(46.2)
	0.5	(41.9)	(1.7)	0.8	(42.3)

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$0.8 million (2009: US$2.9 million) arising from unused tax losses of US$4.7 million (2009: US$17.2 million) have not been recognised in the financial statements. Of the unused tax losses, US$4.4 million (2009: US$17.2 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:

	2010 Weighted average %	2009 Weighted average %
Discount rate applied to pension obligations	**4.85**	5.00
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 4.3% to 11.4% (2009: 3.8% to 11.3%) per annum and global bonds of 3.6% to 5.2% (2009: 2.8% to 4.4%) 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:

	2010 US$m	2009 US$m
Fair value of plan assets	33.8	31.4
Present value of pension obligations	(23.2)	(21.4)
	10.6	10.0

Movements in the fair value of plan assets:

	2010 US$m	2009 US$m
At 1st January	31.4	25.1
Exchange differences	(0.1)	–
Expected return on plan assets	2.3	1.9
Contributions from plan members	0.5	0.5
Benefits paid	(0.9)	(0.4)
Actuarial gains	0.6	4.3
At 31st December	33.8	31.4

Movements in the present value of pension obligations:

	2010 US$m	2009 US$m
At 1st January	21.4	19.0
Interest cost	1.0	1.1
Current service cost	1.3	1.3
Benefits paid	(0.9)	(0.4)
Actuarial losses	0.4	0.4
At 31st December	23.2	21.4

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

	2010 US$m	2009 US$m
Equity instruments	15.8	14.1
Debt instruments	9.6	9.4
Other assets	8.4	7.9
	33.8	31.4

The estimated amount of contributions expected to be paid to the plans in 2011 is US$0.4 million.

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

	2010 US$m	2009 US$m
Current service cost	1.3	1.3
Interest cost	1.0	1.1
Expected return on plan assets	(2.3)	(1.9)
Expense recognised	–	0.5
Actual return on plan assets in the year	2.9	6.2

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:

	2010	2009	2008	2007	2006
	US$m	US$m	US$m	US$m	US$m
Fair value of plan assets	**33.8**	31.4	25.1	38.2	33.2
Present value of pension obligations	**(23.2)**	(21.4)	(19.0)	(20.9)	(19.3)
Surplus	**10.6**	10.0	6.1	17.3	13.9
Experience adjustments on plan assets	**0.6**	4.3	(14.5)	2.5	3.4
Percentage of plan assets (%)	**2**	14	58	7	10
Experience adjustments on pension obligations	**0.1**	1.2	–	(0.1)	–
Percentage of pension obligations (%)	**–**	6	–	–	–

17 Properties for Sale

	2010	2009
	US$m	US$m
Properties under development		
– land and development costs	**1,114.8**	843.6
– interest and other expenses capitalised	**29.0**	42.3
	1,143.8	885.9
Provision for impairment	**(156.7)**	(195.9)
	987.1	690.0
Completed properties	**197.3**	97.1
	1,184.4	787.1

At 31st December 2010, properties for sale of US$404.7 million (2009: US$289.9 million) were pledged as security for borrowings of US$41.2 million (2009: US$99.7 million) as shown in Note 21.

18 Debtors

	2010	2009
	US$m	US$m
Trade debtors	**32.8**	65.7
Other debtors		
– third parties	**178.3**	185.7
– associates and joint ventures	**85.5**	120.6
	296.6	372.0
Non-current	**51.5**	56.7
Current	**245.1**	315.3
	296.6	372.0

18 Debtors continued

	2010 US$m	2009 US$m
By geographical area of operation		
Greater China	**179.6**	211.6
Southeast Asia and others	**117.0**	160.4
	296.6	372.0

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 debtor is impaired.

At 31st December 2010, no trade debtors (2009: US$0.5 million) were impaired and fully provided.

At 31st December 2010, trade debtors of US$4.4 million (2009: US$4.4 million) were past due but not impaired. The ageing analysis of these trade debtors is as follows:

	2010 US$m	2009 US$m
Below 30 days	**3.2**	3.4
Between 31 and 60 days	**1.1**	0.6
Between 61 and 90 days	**0.1**	0.2
Over 90 days	**–**	0.2
	4.4	4.4

The risk of trade debtors that are neither past due nor impaired at 31st December 2010 becoming impaired is low as most of the balances have been settled subsequent to the year end.

Other debtors are further analysed as follows:

	2010 US$m	2009 US$m
Prepayments	**91.2**	85.6
Derivative financial instruments	**55.2**	64.0
Amounts due from associates and joint ventures	**85.5**	120.6
Others	**31.9**	36.1
	263.8	306.3

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$80.6 million (2009: US$53.8 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$1,309.9 million (2009: US$1,194.0 million) is 0.3% (2009: 0.3%) per annum.

20 Creditors

	2010	2009
	US$m	US$m
Trade creditors	**231.1**	193.6
Amounts due to associates and joint ventures	**–**	81.7
Tenants' deposits	**156.6**	149.0
Other creditors	**66.4**	68.8
Derivative financial instruments	**70.9**	18.5
Financial liabilities	**525.0**	511.6
Rent received in advance	**11.6**	7.5
Proceeds from property for sale received in advance	**279.9**	218.5
	816.5	737.6
Non-current	**93.1**	50.5
Current	**723.4**	687.1
	816.5	737.6
By geographical area of operation		
Greater China	**427.1**	432.4
Southeast Asia and others	**389.4**	305.2
	816.5	737.6
The remaining contractual maturities of financial liabilities other than derivative financial instruments are analysed as follows:		
Within one year	**314.8**	355.0
Between one and two years	**50.6**	62.2
Between two and five years	**72.7**	58.5
Beyond five years	**16.0**	17.4
	454.1	493.1

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

	2010 Carrying amount US$m	2010 Fair value US$m	2009 Carrying amount US$m	2009 Fair value US$m
Current				
Bank overdrafts	**1.0**	**1.0**	1.1	1.1
Current portion of long-term borrowings				
– Bank loans	**253.8**	**253.8**	10.5	10.5
– 3.01% Singapore dollar notes due 2010	**–**	**–**	234.3	234.5
– 7% United States dollar bonds due 2011	**604.9**	**609.0**	–	–
	859.7	**863.8**	245.9	246.1
Long-term				
Bank loans	**410.7**	**410.7**	1,405.2	1,405.2
7% United States dollar bonds due 2011	**–**	**–**	619.1	635.2
5.5% United States dollar bonds due 2014	**548.3**	**548.3**	537.0	537.0
3.65% Singapore dollar notes due 2015	**293.3**	**301.4**	268.9	274.7
2.75% United States dollar convertible bonds due 2012	**372.8**	**395.1**	368.1	385.0
Medium term notes	**1,239.7**	**1,188.5**	199.2	194.5
	2,864.8	**2,844.0**	3,397.5	3,431.6
	3,724.5	**3,707.8**	3,643.4	3,677.7
Secured	**41.2**		99.7	
Unsecured	**3,683.3**		3,543.7	
	3,724.5		3,643.4	

The fair values are based on market prices or are estimated using the expected future payments discounted at market interest rates ranging from 0.4% to 3.5% (2009: 0.4% to 3.7%) 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 7% bonds with nominal value of US$600 million due on 3rd May 2011 issued by a wholly-owned subsidiary are listed on the Luxembourg Stock Exchange.

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

The 3.01% notes due on 4th October 2010 and 3.65% notes due on 5th October 2015 with nominal value of S$325 million and S$375 million, respectively, were issued by a wholly-owned subsidiary and are listed on the Singapore Exchange.

21 **Borrowings** continued

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:

– 4.22% 10-year notes with nominal value of HK$500 million due on 26th February 2020
– 5.25% 30-year notes with nominal value of HK$250 million due on 18th March 2040
– 4.24% 10-year notes with nominal value of HK$500 million due on 19th March 2020
– 3.43% 10-year notes with nominal value of S$150 million due on 14th May 2020
– 3.95% 10-year notes with nominal value of HK$500 million due on 8th June 2020
– 4.10% 15-year notes with nominal value of HK$300 million due on 28th July 2025
– 4.11% 20-year notes with nominal value of HK$800 million due on 13th September 2030
– 4.50% 15-year notes with nominal value of US$600 million due on 7th October 2025

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

	2010	2009
	US$m	US$m
Liability component at 1st January	**368.1**	358.4
Interest expense at effective interest rate	**21.2**	20.7
Interest expense at coupon rate	**(11.0)**	(11.0)
Conversion	**(5.5)**	–
Liability component at 31st December	**372.8**	368.1

21 Borrowings continued

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					
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**
2009					
Hong Kong dollar	2.4	2.1	906.3	1,116.1	2,022.4
Singapore dollar	2.1	3.9	602.3	648.4	1,250.7
United States dollar	5.5	3.0	368.1	2.2	370.3
			1,876.7	1,766.7	3,643.4

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.

	2010 US$m	2009 US$m
Within one year	**976.4**	356.6
Between one and two years	**548.7**	1,105.1
Between two and five years	**1,385.5**	2,016.7
Beyond five years	**1,757.7**	522.2
	4,668.3	4,000.6

22 Share Capital

	Ordinary shares in millions 2010	2009	2010 US$m	2009 US$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	**2,249.3**	2,249.3	**224.9**	224.9
Issued on conversion of convertible bonds	**1.5**	–	**0.2**	–
At 31st December	**2,250.8**	2,249.3	**225.1**	224.9

23 Dividends

	2010 US$m	2009 US$m
Final dividend in respect of 2009 of US¢10.00 (2008: US¢7.00) per share	**224.9**	157.5
Interim dividend in respect of 2010 of US¢6.00 (2009: US¢6.00) per share	**135.0**	134.9
	359.9	292.4

A final dividend in respect of 2010 of US¢10.00 (2009: US¢10.00) per share amounting to a total of US$225.1 million (2009: US$224.9 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 2011.

24 Notes to Consolidated Cash Flow Statement

a) Change in interests in subsidiaries
The increase represents the Group's increased attributable interests from 77.4% to 100% in MCL Land.

b) Cash and cash equivalents

	2010 US$m	2009 US$m
Bank balances	**1,366.7**	1,226.1
Bank overdrafts (see Note 21)	**(1.0)**	(1.1)
	1,365.7	1,225.0

25 Derivative Financial Instruments

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

	2010 Positive fair value US$m	2010 Negative fair value US$m	2009 Positive fair value US$m	2009 Negative fair value US$m
Designated as cash flow hedges				
– interest rate swaps	**1.1**	**11.7**	4.8	11.8
– cross currency swaps	**0.2**	**15.4**	2.4	2.8
Designated as fair value hedges				
– interest rate swaps	**0.6**	**1.8**	4.8	3.9
– cross currency swaps	**53.3**	**42.0**	52.0	–

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
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**
2009				
Net settled				
– interest rate swaps	16.2	9.0	11.4	–
Gross settled				
– cross currency swaps	30.5	618.7	522.1	91.5
	46.7	627.7	533.5	91.5

25 Derivative Financial Instruments continued

Interest rate swaps

The notional principal amounts of the outstanding interest rate swap contracts at 31st December 2010 were US$611.9 million (2009: US$1,401.2 million).

At 31st December 2010, the fixed interest rates relating to interest rate swaps vary from 1.84% to 4.28% (2009: 1.84% to 5.16%).

The fair values of interest rate swaps are based on the estimated cash flows discounted at market rates ranging from 0.28% to 3.32% (2009: 0.14% to 2.71%) per annum.

Cross currency swaps

The contract amounts of the outstanding cross currency swap contracts at 31st December 2010 were US$1,853.5 million (2009: US$1,176.7 million).

26 Commitments

	2010	2009
	US$m	US$m
Capital commitments		
Authorised not contracted	**147.8**	166.9
Contracted not provided	**35.1**	17.1
	182.9	184.0
Contribution to associates and joint ventures	**845.0**	614.7
Operating lease commitments		
Due within one year	**1.3**	1.4
Due between one and two years	**0.5**	0.8
Due between two and three years	**–**	0.4
	1.8	2.6

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 subsidiary undertakings, 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 was US$4.0 million (2009: US$3.9 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.

Property and other services

The Group rented properties to Jardine Matheson group members. Gross rents on such properties in 2010 amounted to US$19.3 million (2009: US$14.0 million).

Jardine Matheson group members provided property construction, maintenance and other services to the Group in 2010 in aggregate amounting to US$30.5 million (2009: US$77.0 million).

The outstanding balances arising from the above services at 31st December 2010 are not material.

Hotel management services

Jardine Matheson group members provided hotel management services to the Group in 2010 amounting to US$1.4 million (2009: US$0.9 million).

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 67 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.

	2010 US$m	2009 US$m
Net operating assets		
Investments at cost		
Unlisted shares in subsidiaries	**4,481.7**	4,481.7
Net amounts due from/(to) subsidiaries	**213.7**	(708.2)
	4,695.4	3,773.5
Creditors and other accruals	**(19.7)**	(18.7)
	4,675.7	3,754.8
Capital employed		
Share capital (see Note 22)	**225.1**	224.9
Revenue and other reserves		
Contributed surplus	**2,249.6**	2,249.6
Share premium	**5.3**	–
Revenue reserves	**2,195.7**	1,280.3
	4,450.6	3,529.9
Shareholders' funds	**4,675.7**	3,754.8

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 2010 are set out below.

	Attributable interests % 2010	2009	Issued share capital		Main activities	Country of incorporation
Subsidiaries						
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
Hongkong Land International Holdings Limited	**100**	100*	USD	200,000,000	Investment holding	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
HKL (Chater House) Limited	**100**	100	HKD	1,500,000	Property investment	Hong Kong
HKL (Esplanade) Pte Limited	**100**	100	SGD	150,000,000	Property investment	Singapore
HKL (Prince's Building) Limited	**100**	100	HKD	200	Property investment	Hong Kong
HKL Treasury (Singapore) Pte Limited	**100**	100	SGD	2	Finance	Singapore
Mulberry Land Company Limited	**100**	100	HKD	200	Property investment	Hong Kong
The Hongkong Land Finance (Cayman Islands) Company Limited	**100**	100	USD	2	Finance	Cayman Islands
HKL (Landmark Hotel) Limited	**100**	100	HKD	2	Hotel investment	Hong Kong
HK Glory Properties Limited	**100**	100	USD	2	Property development	British Virgin Islands
Tong Yan Development Company Limited	**100**	100	HKD	400	Property development	Hong Kong
Hongkong Land CB (2005) Limited	**100**	100	USD	2	Finance	British Virgin Islands
The Hongkong Land Treasury Services (Singapore) Pte Limited	**100**	100	SGD	2	Finance	Singapore
MCL Land Limited (details are shown on pages 61 and 62)	**100**	77.4	SGD	369,985,977	Property development	Singapore
Reid Street Properties Limited	**100**	100	USD	400	Investment holding	British Virgin Islands
Hongkong Land Singapore (Pte) Ltd	**100**	100	SGD	100,000	Property management	Singapore
Starsome Investments Limited	**100**	100	USD	2	Investment holding	British Virgin Islands
The Hongkong Land Notes Company Limited	**100**	100	USD	2	Finance	British Virgin Islands
Ample Keen Limited	**100**	–	HKD	2	Property investment	Hong Kong
King Kok Investment Limited	**90**	90	USD	10,000	Property investment	Mauritius

* Owned directly

30 Principal Subsidiaries, Associates and Joint Ventures continued

	Attributable interests % 2010	2009	Issued share capital		Main activities	Country of incorporation
Associates and joint ventures						
Beijing Premium Real Estate Limited	**40**	40	USD	12,000,000	Property development	Mainland China
Gaysorn Land Company Limited	**49**	49	THB	61,250,000	Property investments and operations	Thailand
Normelle Estates Limited	**50**	50	HKD	10,000	Property investment	Hong Kong
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
NorthPine Land Inc	**40**	40	Peso	1,224,635,200	Property investment	The Philippines
BFC Development Pte Limited	**33.3**	33.3	SGD	6	Property development	Singapore
Longhu Land Limited	**50**	50	USD	12,000,000	Property development	Mainland China
Basecity Investments Limited	**46.6**	46.6	USD	10,000	Property investment	British Virgin Islands
Central Boulevard Development Pte Limited	**33.3**	33.3	SGD	6	Property investment	Singapore
Ampang Investments Pte Limited	**40**	40	SGD	10	Hotel investment	Singapore
Raise Up Enterprises Limited	**50**	30.3	USD	10,000	Property investment	British Virgin Islands
Cosmo City Limited	**50**	50	HKD	2	Property investment	Hong Kong
Jardine Gibbons Properties Limited	**40**	40	BD	600,000 ‘A’ 400,000 ‘B’	Property holding	Bermuda
Total Champ Limited	**50**	–	HKD	3	Property investment	Hong Kong
MCL Land Limited’s principal subsidiaries, associates and joint ventures						
MCL Land Holdings Pte Ltd	**100**	77.4	SGD	6,000,000	Property investment	Singapore
MCL Land (Serangoon) Pte Ltd	**100**	77.4	SGD	1,000,000	Property development	Singapore
Maxgrowth Pte. Ltd.	**100**	77.4	SGD	1,000,000	Property development	Singapore
Acecharm Pte. Ltd.	**100**	77.4	SGD	1,000,000	Property development	Singapore
MCL Land Realty Pte. Ltd.	**100**	77.4	SGD	1,000,000	Property development	Singapore
MCL Land Development Pte. Ltd.	**100**	77.4	SGD	1,000,000	Property development	Singapore
MCL Land (Prime) Pte. Ltd.	**100**	77.4	SGD	1,000,000	Property development	Singapore
Caseldine Investments Pte Ltd	**100**	77.4	SGD	1,000,000	Property development	Singapore

30 Principal Subsidiaries, Associates and Joint Ventures continued

	Attributable interests % 2010	2009	Issued share capital		Main activities	Country of incorporation
MCL Land Limited's principal subsidiaries, associates and joint ventures continued						
Kedron Investments Pte Ltd	**100**	77.4	SGD	1,000,000	Property development	Singapore
MCL Land (Warren) Pte Ltd	**100**	77.4	SGD	1,000,000	Property development	Singapore
MCL Land (Century Gardens) Sdn. Bhd.	**100**	77.4	MYR	6,608,763	Property investment	Malaysia
MCL Land (Pantai View) Sdn. Bhd.	**100**	77.4	MYR	2,000,000	Property investment	Malaysia
Calne Pte Ltd	**50**	38.7	SGD	1,000,000	Property development	Singapore
Golden Quantum Acres Sdn Bhd	**50**	38.7	MYR	2,764,210	Property development	Malaysia
Sunrise MCL Land Sdn Bhd	**50**	38.7	MYR	2,000,000	Property development	Malaysia
MSL Properties Sdn Bhd	**50**	38.7	MYR	3,000,000	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 of 31st December 2010 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' judgment, 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 of 31st December 2010, 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 nine provisions of the UK June 2008 Combined 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.

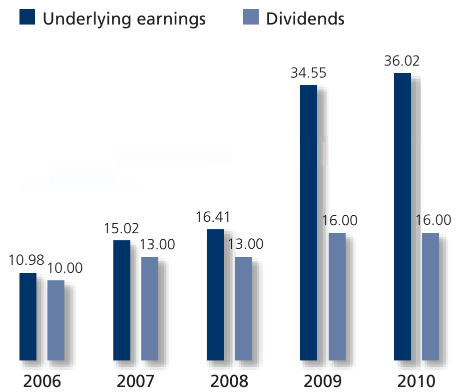
PricewaterhouseCoopers LLP
Chartered Accountants
London
United Kingdom
3rd March 2011

Five Year Summary

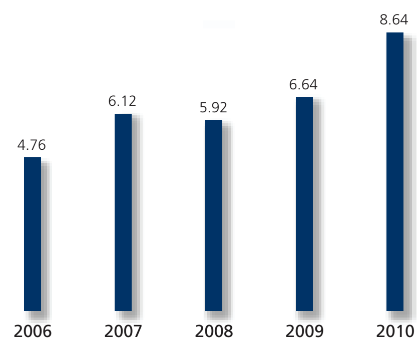
	2006 US$m	2007 US$m	2008 US$m	2009 US$m	**2010 US$m**
Profit/(loss) attributable to shareholders	2,253	3,324	(337)	1,813	**4,739**
Underlying profit attributable to shareholders	245	345	375	777	**810**
Investment properties	11,651	14,261	13,703	14,818	**18,036**
Net debt	2,312	2,431	2,601	2,417	**2,358**
Shareholders' funds	10,922	14,041	13,308	14,936	**19,457**
	US$	US$	US$	US$	**US$**
Net asset value per share	4.76	6.12	5.92	6.64	**8.64**

Note: Due to recent amendments to International Financial Reporting Standards, the Group is no longer required to provide for deferred tax on the revaluation of its investment properties in Hong Kong and Singapore where there is no capital gains taxation. The new policy has been applied retrospectively and the comparative figures in the financial statements have been restated.

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
3rd March 2011

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. Following a change in the Listing Rules issued by the Financial Services Authority in the United Kingdom with effect from 6th April 2010, the Company's Premium Listed status now 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 and 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 14 Directors: the Chief Executive and Chief Financial Officer; five executives of Jardine Matheson; and seven non-executive Directors. Their names and brief biographies appear on page 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 will 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 2011 and ad hoc procedures are adopted to deal with urgent matters. In 2010 two meetings were held in Bermuda and two in Asia. All Directors attended all four Board meetings, save that Lord Leach of Fairford attended three meetings, Jenkin Hui and Lord Powell of Bayswater attended two meetings and R C Kwok was unable to attend the meetings due to illness. John R Witt attended three meetings following his appointment to the Board. 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.

In accordance with Bye-law 85, Charles Allen-Jones, Jenkin Hui, Sir Henry Keswick and Lord Powell of Bayswater retire by rotation at the Annual General Meeting 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. A motion to increase the Directors' fees to US$45,000 each per annum and the fees for the Chairman and Managing Director to US$65,000 each per annum with effect from 1st January 2011 will be proposed at the forthcoming Annual General Meeting.

For the year ended 31st December 2010, the Directors received from the Group US$3.8 million (2009: US$2.6 million) in Directors' fees and employee benefits, being US$0.6 million (2009: US$0.3 million) in Directors' fees, US$3.1 million (2009: US$2.2 million) in short-term employee benefits including salary, bonuses, accommodation and deemed benefits in kind and US$0.1 million (2009: 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 70.

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 A J L Nightingale, Mark Greenberg, James Riley and Giles White; they have extensive knowledge of the Group while at the same time not being directly involved in operational management. 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 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 9th March 2011 had interests (within the meaning of the Disclosure and Transparency Rules ('DTRs') of the Financial Services Authority (the 'FSA') of the United Kingdom) as set out below in the ordinary share capital of the Company. 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
A J L Nightingale	2,184
Y K Pang	38,000
Charles Allen-Jones	60,000
R C Kwok	15,261
Dr Richard Lee	3,678,685

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 1,141,993,146 ordinary shares carrying 49.60% 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 9th March 2011.

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

Relations with Shareholders

The 2011 Annual General Meeting will be held at The Fairmont Southampton, Bermuda on 11th May 2011. 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 5th May 2010, 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 page 58. 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 68 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 16 and Note 2 to the financial statements on pages 32 to 35.

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

2010 full-year results announced	3rd March 2011
Share registers closed	21st to 25th March 2011
Annual General Meeting to be held	11th May 2011
2010 final dividend payable	18th May 2011
2011 half-year results to be announced	28th July 2011 *
Share registers to be closed	22nd to 26th August 2011 *
2011 interim dividend payable	12th October 2011 *

* 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 2010 final dividend by notifying the United Kingdom transfer agent in writing by 21st April 2011. The sterling equivalent of dividends declared in United States dollars will be calculated by reference to a rate prevailing on 4th May 2011. 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.

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Y K Pang

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Stephen Bruce

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E-mail: jkwok@hkland.com
Joe Kwok

Hongkong Land (Chongqing) Management Company Limited

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Fax +848 3827 9020
E-mail: cosimo.jencks@hkland.com
Cosimo Jencks

Report of the Valuers

To Hongkong Land Holdings Limited

Dear Sirs

Revaluation of Commercial Investment Properties Held on Leases

Further to your instructions, we have valued in our capacity as external valuers the commercial investment properties held on leases 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 on leases in Hong Kong, Singapore and Vietnam as at 31st December 2010, totalled US$17,911,300,000 (United States Dollars Seventeen Billion Nine Hundred Eleven Million and Three Hundred Thousand).

Our valuations are prepared in accordance with the International Valuation Standards ('IVS') (Eighth Edition 2007) 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, 3rd March 2011

Major Property Portfolio

at 31st December 2010

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	137		
One Exchange Square	100		53	–
Two Exchange Square	100		47	–
Three Exchange Square	100		30	–
Podium	100		–	4
The Forum	100		–	3
Jardine House	100	63	59	4
The Landmark	100	123		
Gloucester Tower	100		44	–
Atrium	100		–	24
Edinburgh Tower	100		31	13
York House	100		11	–
Prince's Building	100	51	38	13
		452	382	70
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	280		
Tower 1			56	1
Tower 2			94	7
Tower 3 (under construction)			114	8
		433	410	23
Jakarta, Indonesia				
Jakarta Land	50	138		
Wisma Metropolitan I			15	2
Wisma Metropolitan II			14	3
World Trade Center			37	6
World Trade Center II (under construction)			57	4
		138	123	15
Bangkok, Thailand				
Gaysorn Plaza	49	17	5	12
Hanoi, Vietnam				
Central Building	71	4	4	–
63 Lý Thái Tô'	73.9	7	6	1
		11	10	1

Residential Development Property for Sale

	Attributable interests %	Location	Available units at 31st December 2010
Completed development			
Hong Kong			
The Sail at Victoria	100	Victoria Road	5
Serenade	100	Tai Hang Road	54
Mainland China			
Maple Place	90	Beijing	117
Macau			
One Central Residences	46.6	Avenida Dr Sun Yat Sen	107

	Attributable interests %	Location	Approximate site area (in square metres)
Under development			
Singapore			
The Peak@Balmeg	100	Balmeg Hill	17,107
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
A site at Upper East Coast Road	100	Upper East Coast Road	6,103
A site at Nim Road	100	Nim Road	17,955
A site at Hougang Avenue 2	100	Hougang Avenue 2	30,196
Marina Bay Suites	33.3	Central Boulevard	5,290
Mainland China			
Bamboo Grove	50	Chongqing	778,648
Landmark Riverside	50	Chongqing	336,600
A site in New North Zone, Chongqing	100	Chongqing	385,943
A site in Jinjiang District, Chengdu	50	Chengdu	190,362
Park Life	50	Shenyang	572,419
One Capitol	50	Shenyang	346,721
A site in Shenbei District, Shenyang	50	Shenyang	356,624

Properties in Hong Kong's Central Business District

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

■ Hongkong Land properties = Pedestrian bridges ⊛ Mass Transit Railway access P Public car park

Since the founding of Hong Kong in 1842, a quarter square mile of land in Central has been the focus of business, finance and Government. Today, it is also the location of Hongkong Land's unique portfolio of interconnected buildings. The northern shoreline of Hong Kong Island has been reclaimed four times to create this area. The latest major reclamation is part of the Hong Kong SAR Government's far-sighted 'Metroplan', which is creating new land for infrastructure to support future economic growth. Phase 1 of the Central and Wanchai Reclamation was started in 1993 and completed in 1998. It has provided 20 hectares of new land contiguous with Hongkong Land's portfolio, strengthening the focus of the Central business and financial district as well as adding new facilities including the Central Station of the Airport Railway. The new phase of the reclamation has commenced in 2003, and is expected to be completed by 2012. It will add 18 hectares of new land to the east of Phase 1 and house the underground Central Wanchai Bypass and North Hong Kong Island line as well as the waterfront promenade.

The Group's portfolio accounts for a substantial portion of the prime office space in Hong Kong's Central business and financial district. Located within this area are the Hong Kong head offices of many of the world's leading banks, the Stock Exchange, the Legislative Council Building and the Hong Kong SAR Central Government Offices, as well as an unequalled concentration of the world's finest retail names.


1
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11
12

Beyond Central & Regional Developments

Singapore


One Raffles Link


CityLink Mall


Marina Bay Financial Centre


One Raffles Quay

Singapore


D'Pavilion

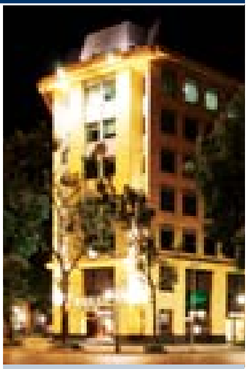

Waterfall Gardens

Thailand


Gaysorn

Vietnam


Central Building


63 Lý Thái Tô'

Indonesia


Jakarta Land

Macau


One Central

Hong Kong


The Sail at Victoria


Serenade

Beijing


Central Park


Maple Place

Chongqing


Bamboo Grove

Shenyang


Park Life

Hongkong Land Holdings Limited
Jardine House Hamilton Bermuda

www.hkland.com