



Hongkong Land Holdings Limited
Annual Report 2009





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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

Registered Office

Jardine House
33–35 Reid Street
Hamilton
Bermuda

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 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 77%-owned listed affiliate, MCL Land, is a significant developer.

Hongkong Land Holdings Limited is incorporated in Bermuda. Its primary share listing is in London, with 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.



Jardines

A member of the Jardine Matheson Group

One Central, a joint venture development in the heart of Macau (front cover).

Highlights

- Underlying earnings per share up 111% to a record US¢34.55
- Commercial property net rental income up 19%
- Strong contribution from residential completions
- Capital values of completed investment properties up 6% for the year
- Full year dividend increased by 23% to US¢16.00

Results

	2009 US\$m	2008 US\$m	Change %
Underlying profit attributable to shareholders*	777	375	107
Profit/(loss) attributable to shareholders	1,641	(109)	n/m
Shareholders' funds	12,756	11,313	13
Adjusted shareholders' funds [†]	14,936	13,308	12
Net debt	2,417	2,601	(7)
	US¢	US¢	%
Underlying earnings per share	34.55	16.41	111
Earnings/(loss) per share	72.96	(4.79)	n/m
Dividends per share	16.00	13.00	23
	US\$	US\$	%
Net asset value per share	5.67	5.03	13
Adjusted net asset value per share [†]	6.64	5.92	12

* The Group uses 'underlying business performance' in its internal financial reporting to distinguish between the underlying profits and non-trading items, as more fully described in Note 1 to the financial statements. Management considers this to be a key measure and has provided this analysis as additional information in order to provide greater understanding of the Group's underlying business performance.

[†] In preparing the Group's financial statements under International Financial Reporting Standards ('IFRS'), the fair value model for investment properties has been adopted. In accordance with this model, the Group's leasehold investment properties have been included at their open market value as determined by independent valuers. In the territories where the Group has significant leasehold investment properties, no capital gains tax would be payable on the sale of these properties. In relation to leasehold investment properties, however, IFRS require deferred tax on any revaluation amount to be calculated using income tax rates. This is in contrast to the treatment for the revaluation element of freehold properties where IFRS require capital gains tax rates to be used.

As Management considers that the Group's long leasehold properties have very similar characteristics to freehold property, the adjusted shareholders' funds and adjusted net asset value per share information is presented on the basis that would be applicable if the leasehold properties were freehold. The adjustments made add back the deferred tax provided in the financial statements that would not be payable if the properties were sold. See Note 23 to the financial statements.

Corporate Overview

Hongkong Land's Strategy for Growth

Market Leadership in Hong Kong

Hongkong Land will maintain a leadership position in Hong Kong's Central business district where it owns and manages some 5,000,000 sq. ft of prime office and retail space.

Property Investments and Developments in Asia

The Group will seek commercial and residential property developments in Asia for long-term investment and for trading. It has investments in Hong Kong, Macau, mainland China, Singapore, Vietnam, Thailand, Indonesia, Malaysia and the Philippines.

Shareholder Value

The Group aims to build sustainable streams of value for its shareholders, while maintaining financial strength through a policy of prudent financing and investment.

Group Structure

Hongkong Land Holdings Limited is incorporated in Bermuda and listed in London, Bermuda and Singapore. Hongkong Land Limited manages the operations of the Group from Hong Kong and provides services to Hongkong Land China, which holds the Group's property interests in China, and to Hongkong Land International, which holds the Group's property interests elsewhere.



Henry Moore's Double Oval at the newly renovated plaza of Jardine House.

Chairman's Statement

Overview

Continuing high demand for office and retail space in Hong Kong's Central district, allied to a strong contribution from residential developments, enabled the Group to achieve a record result in 2009.

Performance

Underlying profit for 2009 rose 107% to US\$777 million and underlying earnings per share were 111% higher at US¢34.55. Net rental income grew 19% over the previous year, while the contribution from residential development projects was US\$386 million, compared with a breakeven result in 2008.

The independent valuation of the Group's commercial investment properties at the end of 2009, including the Group's share of completed investment properties in associates and joint ventures, was US\$15.5 billion, an increase of 6%. The adjusted net asset value per share increased by 12% to US\$6.64 over the year.

After taking account of revaluations, the profit attributable to shareholders for 2009 was US\$1,641 million, compared with a loss of US\$109 million in 2008.

The Directors are recommending a final dividend of US¢10.00 per share for 2009, providing a total dividend for the year of US¢16.00 per share, an increase of 23% from 2008.

Group Review

Demand for high quality commercial office space continued to be strong across all business sectors in Hong Kong's Central district despite the negative impact of the global recession in the early part of the year. Market rentals declined sharply in the first half, before stabilising as the year progressed. The luxury retail market also faced difficult trading conditions initially, before recovering well in the second half. Occupancy in the Group's portfolio remained high throughout the year and good growth in net rental income was recorded.

The Group's joint venture development in Macau, One Central, launched its luxury retail mall in December, which quickly established itself as the premier shopping destination on the Macau Peninsula.

Rental levels in the Singapore office market declined in the first nine months of 2009 in response to the poor economic conditions and a projected surplus of supply. Sentiment did, however, improve in the final quarter and some stability has returned to the market. The Group's two completed commercial investment property interests remained fully let. The joint venture development project, Marina Bay Financial Centre, is progressing well with over 68% of the commercial office space pre-committed. Completion is scheduled to take place in two phases in 2010 and 2012, respectively, with the first phase already 81% let.

The residential sector in general benefited in 2009 from Government stimulus packages and low interest rates introduced to counter the effects of the economic downturn. In Hong Kong, The Sail at Victoria was completed in the final quarter of 2009 with 92% of the units having been sold by the year end.

The second residential tower at Marina Bay Financial Centre in Singapore was well received when the first tranche of units was launched for sale towards the end of the year. MCL Land's residential completions in Singapore made a good contribution to the Group's earnings in 2009. A further four of its projects currently under development remain on schedule for completion over the next three years.

The residential units in One Central Macau also made a significant contribution to earnings following completion during 2009. After the cancellation of the en-bloc sale of Tower 4 during the year, the apartments were re-launched in December 2009 and have been substantially sold. Completion will take place during 2010.

In mainland China, the second phase of Bamboo Grove in Chongqing was completed and nearly all the units had been handed over to buyers by the year end. The response to the next phase has been encouraging, and further phases are planned. After increasing its interest in the Beijing luxury residential development, Maple Place, from 35% to 90%, the Group released for sale a quarter of the units in December. These were fully taken up within a short period.

The Group has two residential projects in Shenyang: Park Life, where construction of the second phase has commenced, and One Capitol, where the first phase remains under active planning. In December, Hongkong Land successfully tendered in joint venture for a new development site in Chongqing, strengthening the Group's pipeline of residential projects.

The Group had no major financing requirements during the year and its balance sheet remains strong.

People

With particularly difficult financial markets and trading conditions in the first half, 2009 was a demanding year for our business. The Board would like to thank all staff for their hard work and professionalism.

We welcomed James Watkins to the Board in May 2009.

Outlook

Hongkong Land's earnings in 2010 should continue to benefit from high occupancy levels and steady rentals together with the recognition of profits on the completion of residential developments. Some uncertainty remains, however, over the strength and durability of the economic recovery.

Simon Keswick

Chairman

4th March 2010

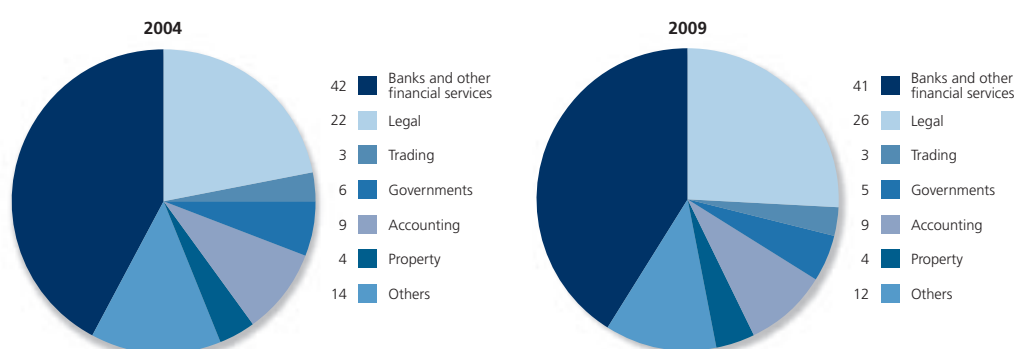
Chief Executive's Review

The Group's Hong Kong commercial property portfolio continued to be the largest contributor to earnings in 2009. It enjoyed strong rental income growth of 16% and high occupancy throughout the year in the face of challenging trading conditions, particularly in the first half. There was continuing demand for office and retail space in the Group's buildings, despite the recessionary market sentiment and competition from new supply elsewhere on Hong Kong Island and in Kowloon. This clearly reinforced Central's status as Hong Kong's location of choice for international business and finance, and its leading destination for luxury retail. The Group's residential business also performed well with a substantial profit contribution from completions in Hong Kong, Macau, Singapore and Chongqing. As a result Hongkong Land achieved a record underlying profit in 2009.

The Group continues to pursue a strategy of expanding its commercial property activities throughout the region at a measured pace. In Singapore, construction of the 340,000 sq. m. joint venture development Marina Bay Financial Centre ('MBFC') is on track for phased completion in 2010 and 2012. Hongkong Land's wholly-owned One Raffles Link ('ORL') and joint venture development One Raffles Quay ('ORQ') are both fully let. When MBFC is completed, Hongkong Land's interests in this important regional business centre will extend to some 150,000 sq. m. of the leading commercial office space, for which it will also have overall management responsibility.

Significant progress has been made in establishing Hongkong Land's residential development business as a significant, capital-efficient and sustainable contributor to earnings. In 2009, completions in Hong Kong, Macau, mainland China and, for MCL Land, in Singapore contributed good profits. The current construction programmes continue on track for residential development projects in Hong Kong, Macau, Singapore and Beijing, Chongqing and Shenyang in mainland China. These will ensure a steady stream of completions going forward. At the end of 2009, another large residential development site in Chongqing was acquired in joint venture, thereby adding to the Group's residential property landbank.

Central portfolio tenant profile by area occupied (%)



Central portfolio

at 31st December 2009	Office	Retail
Capital value* (US\$m)	11,243	2,985
Gross revenue* (US\$m)	561	161
Average unexpired terms of lease (years)	4.1	2.8
Area subject to renewal/review in 2010 (%)	39	44

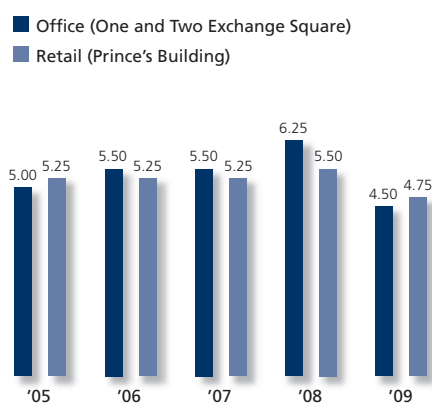
* includes hotel

Commercial Property

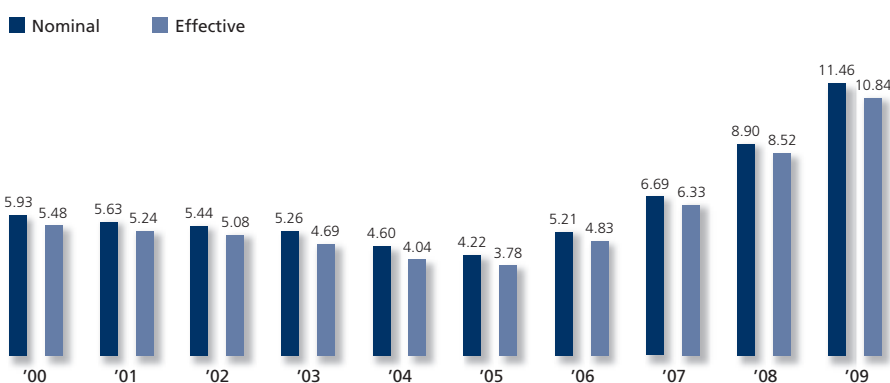
Hong Kong Central Portfolio

Office rents in Hong Kong's Central district fell sharply in the first half of 2009, but stabilised somewhat during the second half. Nevertheless, net rental income for the Group's properties in Hong Kong, which continued to benefit from positive rental reversions during most of the year, rose by 19% to US\$611 million in 2009. Vacancy in the portfolio was 4.4% at the end of 2009, compared with 2.6% at the end of 2008. This was an encouraging result given the market challenges faced and is a testimony to the high quality and enduring reputation of the Group's portfolio.

Central portfolio equivalent yield (%)



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



Chief Executive's Review

Top five office tenants (in alphabetical order)

at 31st December 2009

Credit Suisse
Fortis Bank
JPMorgan
KPMG
PricewaterhouseCoopers

Top five retail tenants (in alphabetical order)

at 31st December 2009

Dickson Concepts
Giorgio Armani
Gucci
Louis Vuitton
Richemont Group

Demand for prime, centrally-located space remained strong for both the commercial office and retail segments as market sentiment and business confidence recovered. The Group's commercial investment property portfolio was valued at US\$14,228 million at the end of 2009, an increase of 9% from 2008. While no significant increase in vacancy is anticipated in 2010, trading conditions are expected to remain challenging.

The refurbishment of retail areas and elevators at Jardine House was completed at the end of the year. A major renovation of the Prince's Building retail podium will commence in the first half of 2010. These initiatives are in line with the Group's strategy of continually enhancing the quality, performance and reputation of the portfolio.

While sales in the luxury retail sector were weak during the first half of 2009, a recovery in the second half led to full-year sales levels comparable with the previous peak in 2007. Average rents for the Group's luxury retail space in the Central Portfolio rose by 3% during the year, while occupancy remained at 100% at the end of 2009.

Commercial Properties other than in Hong Kong

The contribution to the Group's results from its properties in Singapore continued to increase in 2009 with both ORL and ORQ fully let at good rental levels. Construction of MBFC is due to complete in two phases, in 2010 and 2012. The two phases, comprising 190,000 sq. m. and 150,000 sq. m. of gross floor area, respectively, are more than 68% pre-committed. The two towers in Phase 1 completing in 2010 are over 81% let.

The shopping mall at One Central in Macau was launched in December 2009 with flagship stores for a number of prestigious retail brands. The hotel and serviced apartments element of the development will open in 2010. When completed, One Central will comprise some 21,000 sq. m. of luxury retail space, together with a Mandarin Oriental hotel, 92 serviced apartments and 137,000 sq. m. of residential apartments.

The Group's other commercial investment properties are located in Hanoi, Jakarta, Bangkok and Bermuda. Our two buildings in Hanoi are

fully let at the highest rents in that market. Jakarta Land's portfolio is achieving occupancy levels of over 95%, also at good rents. In Bangkok, however, our 49%-owned luxury retail centre and office development, Gaysorn, is experiencing difficult trading conditions. In Bermuda, Jardine Gibbons Property, in which Hongkong Land has a 40% interest, owns four fully-let commercial buildings in the centre of Hamilton.

Residential Property

The Group's residential property activities made a contribution to underlying profit of US\$386 million in 2009, a significant improvement on the breakeven result recorded in 2008. Completions of The Sail at Victoria in Hong Kong, One Central Macau, Phase 2 of Bamboo Grove in Chongqing and MCL Land's Tierra Vue, The Fernhill and Hillcrest Villa contributed to the overall result. The Group's residential development in Hong Kong, Serenade in Tai Hang Road, has received pre-sale consent and is scheduled for sale launch in the first half of 2010.

In Singapore, construction of Marina Bay Residences, the residential component of Phase 1 of the MBFC, is on schedule for completion and handover to buyers in 2010. The first batch of units of the second MBFC residential tower were released for sale in the last quarter of 2009, and over 95% had been sold by the year end.

The units in One Central Residences, our joint venture development in the heart of the Macau Peninsula, were completed in 2009, providing a significant contribution to the Group's earnings. After receiving a fee for cancelling the sale of Tower 4 in June 2009, the apartments were re-launched for sale in December 2009 and substantially all were sold by the end of the year.

Phase 2 of Bamboo Grove in Chongqing was completed in the last quarter of 2009, with 97% being sold by the year end. The response to Phase 3A, comprising 261 townhouses for completion in 2010, was very encouraging and 99% had been sold by the end of 2009. This success was instrumental in the decision to commence construction of a new phase of townhouses that is scheduled for completion in 2011. A further high-rise phase is also planned, with pre-sale targeted for 2010.

The Group increased its interest in Maple Place in Beijing, a development of 209 units of mainly villas and townhouses, from 35% to 90% during 2009. All of the first tranche of units released for sale in December were sold and committed by the year end.

The Group has two residential projects in Shenyang. Construction of Phase 2 of Park Life commenced in 2009, while Phase 1 of One Capitol is being planned.

Chief Executive's Review

MCL Land

MCL Land completed The Fernhill and Tierra Vue in Singapore in the first half of 2009, and these were followed by Hillcrest Villa in the second half of the year. These completions enabled MCL Land to announce a record result in 2009. MCL Land has a further four projects under construction, the sales of which have benefited from a resurgence of confidence in the premium property sector. Waterfall Gardens and D'Pavilion, which will complete in 2010, were 100% and 44% sold, respectively, at the end of 2009. The Peak@Balmeg is scheduled for completion in 2011 and was 90% sold, while Parvis is targeting a 2012 completion and was launched for sale in November with 56% sold at the end of 2009.

Finance and Corporate Activities

The Group's financial position remains healthy. At the end of 2009, adjusted gearing was 16% with net debt at US\$2.4 billion, down from US\$2.6 billion at the end of 2008. The Group's liquidity remains strong with no significant refinancing requirements until 2011.

In November 2009, the Group participated as one of the cornerstone investors in the initial public offering of Longfor Properties Co., the Group's joint venture partner in the Bamboo Grove development in Chongqing. This investment strengthens an existing relationship and will enhance the prospects for the further expansion of the Group's residential property portfolio in China.

Outlook

We are cautiously optimistic as we enter 2010. Global financial markets have benefited from the measures taken by governments worldwide to restore confidence, although economic conditions are likely to remain volatile for some time.

The financial services institutions that form a significant proportion of our tenants have begun rehiring after significant layoffs in the first half of 2009 and are once again considering expansion in Asian markets. Consumer confidence in the region is also growing as evidenced by the recovery in sales of luxury consumer products, the strong demand in the high-end residential sector and the gains in equity markets.

Y K Pang

Chief Executive
4th March 2010

Financial Review

Financial Markets' Review

Global financial markets stabilised during the year after the turbulence experienced in 2008 and the early part of 2009. Stock markets as well as banking and bond markets have all improved during the year, and interest rates remain at historically low levels. Credit spreads, however, are more expensive than they were before the financial crisis. While challenging times continue for a number of the world's economies, the outlook is more positive than a year ago, particularly in Asia.

Results

There have been some changes to the accounting policies adopted by the Group during 2009, the most significant of which is that investment property under development is now carried at fair value rather than at cost following an amendment to IAS 40 Investment Property.

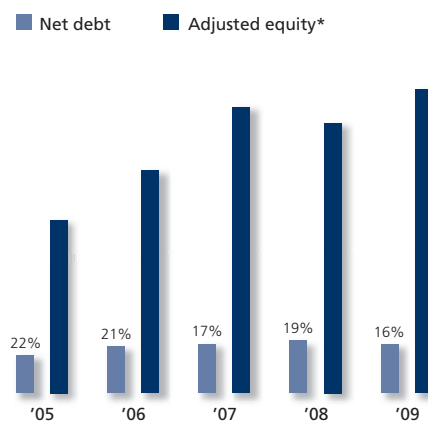
Underlying earnings for the year rose 107% to US\$777 million from US\$375 million recorded in 2008. Underlying earnings per share rose to US¢34.55 from US¢16.41 in 2008. A profit attributable to shareholders of US\$1,641 million (2008: loss of US\$109 million) was recorded after a US\$877 million increase in the fair value of investment properties (including those in associates and joint ventures) net of deferred tax.

Overall, net rental income from commercial properties was 19% higher than in 2008. In the Group's Hong Kong Central office portfolio average effective rents increased from US\$8.52 psf in 2008 to US\$10.84 psf in 2009, while occupancy at the end of 2009 was 95.6%, lower than the 97.4% at the end of 2008. In the Group's Hong Kong Central retail portfolio average effective rents increased from US\$16.54 psf in 2008 to US\$17.04 psf in 2009, and at the end of the year the portfolio remained fully occupied.

The Group's residential property business recorded a contribution to underlying profit of US\$386 million in 2009 up from the breakeven result in 2008. The results benefited from the completions of The Sail at Victoria in Hong Kong, One Central Macau, Phase 2 of Bamboo Grove in Chongqing and MCL Land's Tierra Vue, The Fernhill and Hillcrest Villa.

Net financing charges increased from US\$45 million in 2008 to US\$52 million in 2009. Average borrowing costs were 2.8%, compared with 3.6% in 2008. Interest cover, calculated as the underlying operating profit which includes the Group's share of associates' and

Net debt as a percentage of adjusted equity*



* Excludes deferred tax on revaluation surpluses of investment properties that would not be payable if the properties were sold

Financial Review

joint ventures' results divided by net financing charges, was strong at 19.1 times (2008: 10.7 times).

Dividends

The Board is recommending a final dividend of US¢10.00 per share (2008: US¢7.00 per share) giving a total dividend payable for the year of US¢16.00 per share (2008: US¢13.00). The final dividend is payable on 12th May 2010 to those persons registered as shareholders on 19th March 2010. The dividends are payable in cash.

Cash Flow

With strong rental income from the Group's investment properties and receipt of progress payments from development projects in Hong Kong, mainland China, Macau and Singapore, the recurring cash flow (cash flow from operating activities less major renovations expenditure) of US\$874 million in 2009 was US\$373 million higher than in 2008. This cash flow was largely applied to the payment of dividends (US\$298 million), capital expenditure on developments and associates and joint ventures (US\$390 million).

As a result, the Group's net debt at 31st December 2009 was US\$2,417 million, down US\$184 million from US\$2,601 million at the end of 2008. Net gearing calculated on adjusted equity, which excludes deferred tax provisions on revaluation surpluses of investment properties, was 16%, compared with 19% at the end of 2008 due to the lower net debt and higher adjusted shareholders' funds resulting from the increase in the value of investment properties.

Investment Properties' Valuation

In preparing the Group's financial statements under International Financial Reporting Standards ('IFRS'), the fair value model for investment properties has been adopted. In accordance with this model, the Group's leasehold investment properties have been included at their open market value as determined by independent valuers. In the territories where the Group has significant leasehold investment properties, no capital gains tax would be payable on the sale of these properties. In relation to leasehold investment properties, however, IFRS require deferred tax on any revaluation amount to be calculated using income tax rates. This is in contrast to the treatment for the revaluation element of freehold properties where IFRS require capital gains tax rates to be used.

Year-end debt summary

	2009 US\$m	2008 US\$m
US\$ convertible bonds	368	358
US\$ bonds	1,156	1,184
US\$ bank loans	2	3
HK\$ bank loans	866	809
S\$ bonds	503	493
S\$ bank loans	748	873
Gross debt	3,643	3,720
Cash	1,226	1,119
Net debt	2,417	2,601

As Management considers that the Group's long-term leasehold properties have very similar characteristics to freehold property, the adjusted shareholders' funds and adjusted net asset value per share information is presented on the basis that would be applicable if the leasehold properties were freehold. The adjustments made add back the deferred tax provided in the financial statements that would not be payable if the properties were sold.

The revaluation increase for 2009 of US\$1,055 million, which includes the Group's shares in associates and joint ventures, resulted largely from lower capitalisation rates offset by lower market rental levels. The deferred tax charge required by IFRS in relation to this revaluation increase is US\$178 million. The revaluation increase and the associated deferred tax charge have been taken to the profit and loss account in accordance with IFRS as set out above. At the end of the year, the Group's completed commercial investment properties portfolio (including the Group's share of investment properties in associates and joint ventures) was valued at US\$15,452 million, up by 6% from US\$14,525 million at the end of 2008.

Excluding the deferred tax provision on the revaluation surpluses of investment properties that would not be payable if the properties were sold, the Group's adjusted net asset value per share increased by 12% to US\$6.64 at the end of 2009 from US\$5.92 at the end of 2008.

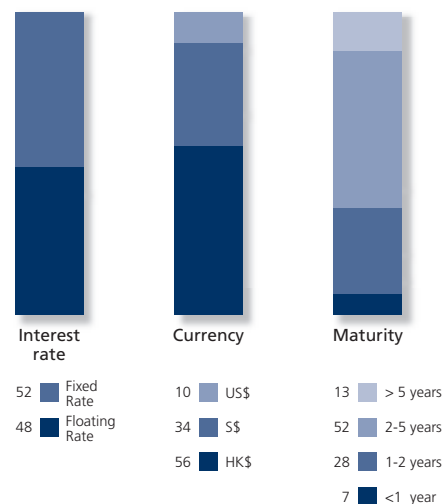
Financial Risk Management and Treasury Activities

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 about costs. The Group's Treasury operations are managed as cost centres, and derivatives are employed for hedging purposes only. Appropriate credit guidelines are in place to manage counterparty credit risk.

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

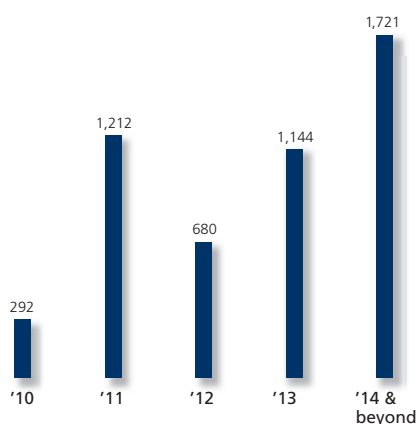
A review of the principal risks and uncertainties facing the Company is set out on page 62.

Debt profile as at 31st December 2009 (%)



Financial Review

Committed facility maturity as at 31st December 2009 (US\$m)



Funding

Global credit markets were extremely difficult at the beginning of 2009 but stabilised and improved during the year. Credit spreads, however, remain more expensive than they were prior to the global financial crisis. The Group continues to maintain a healthy funding and liquidity position. While the Group did not have any major refinancing requirements in 2009, a number of new bilateral banking facilities were established. In June, the Group established a US\$3.0 billion guaranteed medium-term note programme, which provides for the issue of notes in multiple currencies and with a range of maturities up to 30 years, to further strengthen its funding position and diversify its sources of funding. During 2009 the Group completed five fixed rate note issues raising a total of US\$200 million with maturities of eight to twelve years.

As at 31st December 2009, the Group had total financing facilities of US\$5.3 billion (2008: US\$5.0 billion), of which 96% was committed (2008: 95%). At that date, 71% of the committed facilities were drawn. Of the Group's committed facilities, 44% are sourced from the capital markets and 56% from the banking market. The average facility maturity at 31st December 2009 was 3.4 years (2008: 3.6 years). At the year end the Group held cash deposits of US\$1,226 million (2008: US\$1,119 million). Total liquidity calculated as committed facility headroom plus surplus cash on deposit was US\$2,688 million (2008: US\$2,102 million).

In February 2010 Standard & Poors upgraded its credit rating of Hongkong Land Holdings Limited to A- with stable outlook from BBB+ with positive outlook. Moody's continues to maintain a stable outlook on its Baa1 rating of the Group.

Geoffrey M Brown

Chief Financial Officer
4th March 2010

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 vice president of The Real Estate Developers Association of Hong Kong, a member of the Commission on Strategic Development, a council member of the Employers' Federation of Hong Kong and a Hong Kong representative to the APEC Business Advisory Council. He is also chairman of The Sailors Home and Missions to Seamen.

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 also chairman of MCL Land and Jardine Matheson (China) Limited, and is a director of Jardine Matheson Limited. He is a general committee member of the Hong Kong General Chamber of Commerce.

John R Witt* Chief Financial Officer

Mr Witt joined the Board as Chief Financial Officer on 1st 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 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 Holdings, 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 May 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, Mandarin Oriental and MCL Land.

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 2009

	Note	2009			2008		
		Underlying business performance US\$m	Non- trading items US\$m	Total US\$m	Underlying business performance US\$m	Non- trading items US\$m	Total US\$m
Revenue	5	1,322.6	–	1,322.6	1,022.3	–	1,022.3
Net operating costs	6	(508.1)	–	(508.1)	(626.5)	–	(626.5)
		814.5	–	814.5	395.8	–	395.8
Increase/(decrease) in fair value of investment properties	11	–	1,000.6	1,000.6	–	(698.9)	(698.9)
Asset impairment provisions, reversals and disposals	11	–	(8.4)	(8.4)	–	1.8	1.8
Operating profit/(loss)		814.5	992.2	1,806.7	395.8	(697.1)	(301.3)
Financing charges		(110.0)	–	(110.0)	(116.3)	–	(116.3)
Financing income		58.0	–	58.0	71.8	–	71.8
Net financing charges	7	(52.0)	–	(52.0)	(44.5)	–	(44.5)
Share of results of associates and joint ventures	8	177.8	44.6	222.4	81.3	(16.4)	64.9
Profit/(loss) before tax		940.3	1,036.8	1,977.1	432.6	(713.5)	(280.9)
Tax	9	(120.3)	(168.9)	(289.2)	(81.1)	228.6	147.5
Profit/(loss) after tax		820.0	867.9	1,687.9	351.5	(484.9)	(133.4)
Attributable to:							
Shareholders of the Company		777.1	864.0	1,641.1	375.1	(484.5)	(109.4)
Minority interests		42.9	3.9	46.8	(23.6)	(0.4)	(24.0)
		820.0	867.9	1,687.9	351.5	(484.9)	(133.4)
				US¢			US¢
Earnings/(loss) per share	10						
– basic				72.96			(4.79)
– diluted				70.62			(4.79)

Consolidated Statement of Comprehensive Income

for the year ended 31st December 2009

	Note	2009 US\$m	2008 US\$m
Profit/(loss) for the year		1,687.9	(133.4)
Revaluation of properties	12	83.3	–
Revaluation of other investments			
– gains arising during the year		8.5	–
– transfer to profit and loss		–	(6.1)
		8.5	(6.1)
Actuarial gains/(losses) on employee benefit plans		4.0	(12.1)
Net exchange translation differences		16.1	75.5
Cash flow hedges			
– losses arising during the year		(7.1)	(0.6)
– transfer to profit and loss		(1.4)	(3.6)
		(8.5)	(4.2)
Share of other comprehensive income of associates and joint ventures		6.3	(2.2)
Tax relating to components of other comprehensive income		(14.1)	3.8
Other comprehensive income for the year		95.6	54.7
Total comprehensive income for the year		1,783.5	(78.7)
Attributable to:			
Shareholders of the Company		1,735.0	(55.7)
Minority interests		48.5	(23.0)
		1,783.5	(78.7)

Consolidated Balance Sheet

at 31st December 2009

	Note	2009 US\$m	2008 US\$m
Net operating assets			
Tangible assets	12		
Investment properties		14,817.7	13,702.7
Others		3.9	14.8
		14,821.6	13,717.5
Associates and joint ventures	13	2,305.2	1,797.5
Other investments	14	46.4	–
Deferred tax assets	15	3.9	4.5
Pension assets	16	10.0	6.1
Non-current debtors	18	56.7	101.9
Non-current assets		17,243.8	15,627.5
Properties for sale	17	787.1	838.9
Current debtors	18	315.3	289.2
Bank balances	19	1,226.1	1,119.0
Current assets		2,328.5	2,247.1
Current creditors	20	(687.1)	(668.8)
Current borrowings	21	(245.9)	(95.4)
Current tax liabilities		(120.6)	(58.2)
Current liabilities		(1,053.6)	(822.4)
Net current assets		1,274.9	1,424.7
Long-term borrowings	21	(3,397.5)	(3,624.1)
Deferred tax liabilities	15	(2,179.4)	(1,992.9)
Non-current creditors	20	(50.5)	(26.8)
		12,891.3	11,408.4
Total equity			
Share capital	22	224.9	224.9
Revenue and other reserves		12,531.0	11,088.4
Shareholders' funds		12,755.9	11,313.3
Minority interests		135.4	95.1
		12,891.3	11,408.4

Approved by the Board of Directors on 4th March 2010

A J L Nightingale

Y K Pang

Directors

Consolidated Statement of Changes in Equity

for the year ended 31st December 2009

	Attributable to shareholders of the Company						Attributable to minority interests		Total equity US\$m
	Share capital	Revenue reserves	Capital reserves	Hedging reserves	Exchange reserves	Total			
	US\$m	US\$m	US\$m	US\$m	US\$m	US\$m	US\$m		
2009									
At 1st January	224.9	10,901.9	63.4	1.2	121.9	11,313.3	95.1	11,408.4	
Total comprehensive income	12	–	1,723.0	–	(8.6)	20.6	48.5	1,783.5	
Dividends paid by the Company	24	–	(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	12,332.5	63.4	(7.4)	142.5	135.4	12,891.3	
2008									
At 1st January		229.5	11,486.7	63.4	3.8	49.6	124.1	11,957.1	
Total comprehensive income		–	(125.4)	–	(2.6)	72.3	(23.0)	(78.7)	
Dividends paid by the Company	24	–	(344.3)	–	–	(344.3)	–	(344.3)	
Dividends paid to minority shareholders		–	–	–	–	–	(6.0)	(6.0)	
Repurchase of shares		(4.6)	(115.1)	–	–	(119.7)	–	(119.7)	
At 31st December		224.9	10,901.9	63.4	1.2	121.9	95.1	11,408.4	

Consolidated Cash Flow Statement

for the year ended 31st December 2009

	Note	2009 US\$m	2008 US\$m
Operating activities			
Operating profit/(loss)		1,806.7	(301.3)
Depreciation	6	1.6	1.7
Fixed assets written off		1.5	–
Provision for development properties held for sale	6	–	180.2
(Increase)/decrease in fair value of investment properties		(1,000.6)	698.9
Asset impairment provisions, reversals and disposals		8.4	(1.8)
Decrease/(increase) in properties for sale		152.4	(159.9)
(Increase)/decrease in debtors, prepayments and others		(34.3)	159.0
Increase in creditors and accruals		41.4	6.6
Interest received		62.3	68.8
Interest and other financing charges paid		(94.6)	(109.3)
Tax paid		(53.1)	(62.3)
Dividends from associates and joint ventures		11.6	50.4
Cash flows from operating activities		903.3	531.0
Investing activities			
Major renovations expenditure		(29.5)	(29.8)
Developments capital expenditure		(4.4)	(15.0)
Purchase of a subsidiary	25	(42.0)	–
Investments in and loans to associates and joint ventures		(305.2)	(111.5)
Purchase of other investments		(37.9)	–
Cash flows from investing activities		(419.0)	(156.3)
Financing activities			
Drawdown of borrowings		456.3	391.5
Repayment of borrowings		(541.4)	(291.4)
Repurchase of shares		–	(119.7)
Contribution from minority shareholders		3.8	2.0
Dividends paid by the Company		(292.2)	(343.1)
Dividends paid to minority shareholders		(6.0)	(6.3)
Cash flows from financing activities		(379.5)	(367.0)
Effect of exchange rate changes		3.1	6.5
Net increase in cash and cash equivalents		107.9	14.2
Cash and cash equivalents at 1st January		1,117.1	1,102.9
Cash and cash equivalents at 31st December	26	1,225.0	1,117.1

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 2009 which are relevant to the Group's operations

IFRS 8	Operating Segments
IAS1 (revised 2007)	Presentation of Financial Statements
IAS 23 (revised 2007)	Borrowing Costs
Amendments to IFRS 1 and IAS 27	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
Amendment to IFRS 2	Vesting Conditions and Cancellations
Amendments to IFRS 7	Improving Disclosures about Financial Instruments
Improvements to IFRSs (2008)	
IFRIC 13	Customer Loyalty Programmes
IFRIC 15	Agreements for the Construction of Real Estate
IFRIC 16	Hedges of a Net Investment in a Foreign Operation

IFRS 8 'Operating Segments' supersedes IAS 14 'Segment Reporting' and requires the reporting of financial and descriptive information about an entity's reportable segments on the basis of internal reports that are regularly reviewed by its management. There is no change in the Group's reportable segments from 2008 as they remain consistent with the internal reporting provided to management. No operating segments have been aggregated to form the reportable segments. The Group has also early adopted an amendment to IFRS 8 (effective from 1st January 2010) included in the 2009 improvement project. The amendment clarifies that a measure of total assets should be disclosed in the financial statements only if that amount is regularly provided to management.

IAS 1 (revised 2007) 'Presentation of Financial Statements' replaces IAS 1 (as revised in 2003 and amended in 2005) and sets overall requirements for the presentation of financial statements, guidelines for their structure and minimum requirement for their content. Two new primary statements, 'Consolidated Statement of Comprehensive Income' and 'Consolidated Statement of Changes in Equity' have been presented in these financial statements. The former replaces the 'Consolidated Statement of Recognised Income and Expense' presented in the 2008 financial statements. This change in presentation has no effect on reported profit or loss, total income and expense or net assets.

Amendments to IFRS 1 and IAS 27 'Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate' remove the definition of the cost method from IAS 27 and allow an entity to

recognise a dividend from subsidiary, jointly controlled entity or associate in profit and loss in its separate financial statements when its right to receive the dividend is established. There is no impact on the consolidated financial statements as the changes only affect the separate financial statements of the investing entity.

Amendments to IFRS 7 'Improving Disclosures about Financial Instruments' require the disclosure of any change in valuation technique and the reason for that change, introduce a three-level hierarchy for fair value measurement disclosures, and require the disclosure of liquidity risk between non-derivative financial liabilities and derivative financial liabilities.

IAS 36 (Amendment) 'Impairment of Assets' is part of the 2008 improvement project. It provides that where fair value less costs to sell is calculated on the basis of discounted cash flows, disclosures equivalent to those for value-in-use calculation should be made.

IAS 40 (Amendment) 'Investment Property' is part of the 2008 improvement project. It requires that property that is being constructed or developed for future use as investment property should be classified as investment property. It also requires that such property to be carried at fair value at the earlier of when the fair value first becomes reliably measurable and the date of completion of the property with any gain or loss recognised in profit and loss. This is a change in accounting policy as previously such property was carried at cost until the construction was completed.

IFRIC 13 'Customer Loyalty Programmes' addresses the accounting by entities that grant loyalty award credits to customers who buy goods or services. It requires the allocation of consideration receivable from the customer between the separately identifiable components of the sale transaction using fair values. There is no significant impact on the results of the Group on adoption of this interpretation.

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

IAS 23 (revised 2007) 'Borrowing Costs' supersedes IAS 23 (as revised in 1993) and requires the capitalisation of borrowing costs relating to qualifying assets.

Amendment to IFRS 2 'Vesting Conditions and Cancellations' restrict vesting conditions to service conditions and performance conditions, and specify that a failure to meet a non-vesting condition, whether by the entity or by the counterparty, should be treated as a cancellation.

IAS 19 (Amendment) 'Employee Benefits' is part of the 2008 improvement project. It clarifies the distinction between curtailments and negative past service costs under a defined benefit plan.

IAS 23 (Amendment) 'Borrowing Costs' is part of the 2008 improvement project. It amends the definition of borrowing costs such that interest expense is calculated using the effective interest method as defined in IAS 39 'Financial Instruments: Recognition and Measurement'.

Notes to the Financial Statements

1 Principal Accounting Policies continued

Basis of preparation continued

IAS 28 (Amendment) 'Investments in Associates' and consequential amendments to IAS 32 'Financial Instruments: Presentation' and IFRS 7 'Financial Instruments: Disclosures' is part of the 2008 improvement project. It specifies that for the purposes of impairment testing, an investment in associate is treated as a single asset and any impairment loss is not allocated to specific assets included within the investment.

IAS 38 (Amendment) 'Intangible Assets' is part of the 2008 improvement project. It clarifies that expenditure on advertising and other promotional activities must be recognised in the period in which the entity obtains the right to access the advertising or promotional material.

IAS 39 (Amendment) 'Financial Instruments: Recognition and Measurement' is part of the 2008 improvement project. It clarifies that a revised effective interest rate is used when the carrying amount of a debt instrument is remeasured on cessation of fair value hedge accounting.

IFRIC 15 'Agreements for the Construction of Real Estate' provides guidance in determining whether an agreement for the construction of real estate is within the scope of IAS 11 'Construction Contracts' or IAS 18 'Revenue'.

IFRIC 16 'Hedges of a Net Investment in a Foreign Operation' addresses the nature of the hedged risk and amount of the hedged item for which a hedging relationship may be designated in the consolidated financial statements of a parent entity.

Standards and amendments early adopted by the Group

IFRS 3 (revised 2008)	Business Combinations
IAS 27 (amended 2008)	Consolidated and Separate Financial Statements

IFRS 3 (revised 2008) 'Business Combinations' and the related amendment to IAS 27 'Consolidated and Separate Financial Statements' (both effective prospectively from 1st July 2009) provide guidance for applying the acquisition method for business combinations. The major changes from the existing standards include: the immediate expensing of all acquisition-related costs, the inclusion in the cost of acquisition of the fair value at acquisition date of any contingent purchase consideration, the remeasurement of previously held equity interest in the acquiree at fair value in a business combination achieved in stages, and accounting for changes in a parent's ownership interest in a subsidiary that do not result in the loss of control as equity transactions. The early adoption of IFRS 3 (revised 2008) and the related amendment to IAS 27 has resulted in changes in the accounting policies for goodwill and change in attributable interests in subsidiaries. Until 31st December 2008, acquisition-related costs were included in the cost of a business combination; contingent purchase consideration was recognised in goodwill as incurred; the cost of each exchange transaction in a business combination achieved in stages was compared with the fair values of the acquiree's identifiable net

assets to determine the amount of goodwill associated with that transaction; the difference between the cost of acquisition and the carrying amount of the proportion of minority interest acquired in respect of an increase in attributable interest in a subsidiary was recognised as goodwill or credited to profit and loss as discount on acquisition, where appropriate; and the difference between the proceeds and the carrying amount of the proportion sold in respect of a decrease in attributable interest in a subsidiary was recognised as profit or loss on disposal. The Group continues to measure minority interest in an acquiree in a business combination at the minority interest's proportionate share of the acquiree's identifiable net assets.

Standards, amendments and interpretations effective after 2009 which are relevant to the Group's operations and yet to be adopted

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. The Group will apply IFRS 9 from 1st January 2013.

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.

Amendment to IAS 39 'Eligible Hedged Items' (effective from 1st July 2009) gives additional guidance on the designation of a hedged item and how hedged accounting should be applied in particular situations. The Group will apply amendment to IAS 39 from 1st January 2010, but it is not expected to have any significant impact on the results of the Group.

The Improvements to IFRSs (2009) comprise a number of non-urgent but necessary amendments to IFRSs. With the exception of IAS 17 (Amended 2009) 'Leases', adoption of the other amendments is not expected to have any significant impact on the results of the Group.

IAS 17 (Amended) 'Leases' (effective from 1st January 2010) 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. The Group will apply this amendment retrospectively from 1st January 2010.

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.

IFRIC 17 'Distributions of Non-cash Assets to Owners' (effective from 1st July 2009) 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 value 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 or loss. The Group will apply IFRIC 17 from 1st January 2010.

IFRIC 19 'Extinguishing Financial Liabilities with Equity Instruments' (effective from 1st April 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.

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 recognises 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. All other exchange differences are recognised in profit and loss.

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

Impairment

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

Notes to the Financial Statements

1 Principal Accounting Policies continued

Intangible assets

- i) 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.

- ii) Land use rights are payments to third parties to acquire long-term interests in owner-occupied property. These payments are stated at cost and are amortised over the useful life of the lease which includes the renewal period if the lease can be renewed by the Group without significant cost.
- iii) Other intangible assets are stated at cost less accumulated amortisation. Amortisation is calculated on the straight line basis to allocate the cost of intangible assets over their estimated useful lives.

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:

Buildings	10 – 50 years
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

Investment properties are held for long-term rental yields. Properties under operating leases which are held for long-term rental yields are classified and accounted for as investment properties. 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 their maturities are within twelve months after the balance sheet date.
- ii) At each balance sheet date, the Group assesses whether there is objective evidence that an investment is impaired. In the case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered as an indicator that the securities are impaired.
- iii) All purchases and sales of investments are recognised on the trade date, which is the date that the Group commits to purchase or sell the investment.

Leases

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

Properties for sale

Properties for sale, which comprise land and buildings held for resale, are stated at the lower of cost and net realisable value. The cost of properties for sale comprises land and related 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 financial institutions, 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 their maturities are 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.

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

Pension obligations

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

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

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

Non-current assets held for sale

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

Derivative financial instruments

The Group only enters into derivative financial instruments in order to hedge underlying exposures. Derivative financial instruments are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. The method of recognising the resulting gain or loss is dependent on the nature of the item being hedged. The Group designates certain derivatives as either 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.

Notes to the Financial Statements

1 Principal Accounting Policies continued

Derivative financial instruments continued

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

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

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

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

Financial guarantee contracts

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

Non-trading items

Non-trading items are separately identified to provide greater understanding of the Group's underlying business performance. Items classified as non-trading items include fair value gains or losses on revaluation of investment properties; gains and losses arising from the sale of businesses, investments and 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.

Pre-operating costs

Pre-operating costs are expensed as they are incurred.

Comparative figures

Certain comparative figures have been reclassified to conform with the current year presentation.

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 2009 are disclosed in Note 27.

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.

Group companies are required to manage their foreign exchange risk against their functional currency. To manage their foreign exchange risk arising from future commercial transactions, entities in the Group use forward foreign exchange contracts in a consistent manner to hedge firm and anticipated foreign exchange commitments. 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. Foreign currency borrowings are required to be 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. At 31st December 2009, there are no significant monetary balances held by Group companies that are denominated in a non-functional currency. 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; 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 between 40% and 60% of its gross borrowings in fixed rate instruments with an average tenor of 2 - 3 years. At 31st December 2009, 52% of the Group's debt (2008: 51%) was hedged into fixed rate with an

average fixed rate tenor of 2.8 years (2008: 2.5 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 2009, if interest rates had been 100 basis points higher/lower with all other variables held constant, the Group's profit after tax would have been US\$5 million (2008: US\$2 million) higher/lower, and hedging reserves would have been US\$17 million (2008: US\$12 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 caused by interest rate movements balance out in profit and loss against changes in the fair value of the hedged item. Changes in market interest rates affect the interest income or expense of non-derivative variable-interest financial instruments, the interest payments of which are not designated as hedged items of cash flow hedges against interest rate risks. As a consequence, they are included in the calculation of profit after tax sensitivities. Changes in the market interest rate of financial instruments that were designated as hedging instruments in a cash flow hedge to hedge payment fluctuations resulting from interest rate movements affect the hedging reserves and are therefore taken into consideration in the equity-related sensitivity calculations.

Price risk

The Group is exposed to securities price risk because of listed investments which are available for sale and held by the Group at fair value. Gains and losses arising from changes in the fair value of available-for-sale investments are dealt with in reserves. The performance of the Group's listed 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.

Notes to the Financial Statements

2 Financial Risk Management continued

Financial risk factors continued

Available-for-sale investments are unhedged. At 31st December 2009, if the price of listed available-for-sale investments had been 25% higher/lower with all other variables held constant, total equity would have been 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 2009, 100% (2008: 100%) of deposits and balances with banks were made to financial 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 an 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\$66 million (2008: US\$81 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\$64 million (2008: US\$110 million). The Group's exposure to credit risk arising from deposits and balances with banks is set out in Note 19 and totals US\$1,226 million (2008: US\$1,119 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 2009, total available borrowing facilities amounted to US\$5,291 million (2008: US\$4,953 million) of which US\$3,643 million (2008: US\$3,720 million) was drawn down. Undrawn committed facilities, in the form of revolving credit and term loan facilities, totalled US\$1,463 million (2008: US\$994 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 27.

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 adjusted equity, which adds back the deferred tax provided for revaluation surplus of investment properties that would not be payable if the properties were sold. Net debt is calculated as total borrowings less bank balances. Interest cover is calculated as underlying business performance divided by net financing charges. The Group does not have a defined gearing or interest cover benchmark or range.

The ratios at 31st December 2008 and 2009 are as follows:

	2009	2008
Gearing ratio (%)	16	19
Interest cover (times)	19	11

The decrease in gearing ratio at 31st December 2009 is largely a result of higher investment properties valuations. The increase in interest cover for the year then ended as compared to 2008 is primarily due to strong cash flows generated by Group companies.

Fair value estimation

The fair value of listed financial instruments is based on quoted prices in active markets. The quoted market price used for listed investments held by the Group is the current bid price.

The fair values of current debtors, bank balances and other liquid funds, current creditors and current borrowings are assumed to approximate their carrying amount 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.

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.

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.

Investment properties

The fair values of investment properties are determined annually 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

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

In determining when an investment is other-than-temporarily 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 flow.

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.

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.

As required by International Financial Reporting Standards, provision for deferred tax is made on the revaluation of investment properties held under operating leases on the basis that the Group has no intention to sell, and their values would be recovered through use rather than through sale.

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.

Notes to the Financial Statements

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.

	Revenue		Operating profit/(loss)		Underlying profit attributable to shareholders		Capital expenditure		Segment assets		Segment liabilities	
	2009 US\$m	2008 US\$m	2009 US\$m	2008 US\$m	2009 US\$m	2008 US\$m	2009 US\$m	2008 US\$m	2009 US\$m	2008 US\$m	2009 US\$m	2008 US\$m
By business												
Commercial property	759.8	676.2	1,631.9	(156.2)	668.1	570.5	21.7	44.5	14,851.0	13,775.4	(260.1)	(229.1)
Residential property	562.8	346.1	232.2	(101.7)	386.2	0.7	–	0.4	1,117.2	1,048.4	(418.9)	(350.1)
	1,322.6	1,022.3	1,864.1	(257.9)	1,054.3	571.2	21.7	44.9	15,968.2	14,823.8	(679.0)	(579.2)
Corporate, net financing charges and tax	–	–	(57.4)	(43.4)	(277.2)	(196.1)	0.4	3.9	–	–	–	–
	1,322.6	1,022.3	1,806.7	(301.3)	777.1	375.1	22.1	48.8	15,968.2	14,823.8	(679.0)	(579.2)
By geographical location												
Greater China	834.4	648.7	1,787.1	(167.4)	865.4	590.5	19.7	47.0	14,772.0	13,358.3	(395.0)	(277.6)
Southeast Asia and others	488.2	373.6	77.0	(90.5)	188.9	(19.3)	2.4	1.8	1,196.2	1,465.5	(284.0)	(301.6)
	1,322.6	1,022.3	1,864.1	(257.9)	1,054.3	571.2	22.1	48.8	15,968.2	14,823.8	(679.0)	(579.2)
Corporate, net financing charges and tax	–	–	(57.4)	(43.4)	(277.2)	(196.1)	–	–	–	–	–	–
	1,322.6	1,022.3	1,806.7	(301.3)	777.1	375.1	22.1	48.8	15,968.2	14,823.8	(679.0)	(579.2)
Operating profit/(loss)			1,806.7	(301.3)					15,968.2	14,823.8	(679.0)	(579.2)
Results of associates and joint ventures			222.4	64.9					2,305.2	1,797.5	–	–
Net financing charges and tax			(341.2)	103.0					1,298.9	1,253.3	(6,002.0)	(5,887.0)
Profit/(loss) after tax			1,687.9	(133.4)					19,572.3	17,874.6	(6,681.0)	(6,466.2)
Segment assets and liabilities									15,968.2	14,823.8	(679.0)	(579.2)
Investments in associates and joint ventures									2,305.2	1,797.5	–	–
Unallocated assets and liabilities									1,298.9	1,253.3	(6,002.0)	(5,887.0)
Total assets and liabilities									19,572.3	17,874.6	(6,681.0)	(6,466.2)

Capital expenditure comprises additions of intangible assets, tangible assets and investment properties, including those arising from acquisition of subsidiaries.

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

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

Notes to the Financial Statements

5 Revenue

	2009 US\$m	2008 US\$m
Rental income	669.0	574.1
Service income	95.4	104.6
Sales of trading properties	558.2	343.6
	1,322.6	1,022.3

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

Total contingent rents included in rental income amounted to US\$7.5 million (2008: US\$7.8 million).

	2009 US\$m	2008 US\$m
The future minimum rental payments receivable under non-cancellable leases are as follows:		
Within one year	588.7	550.9
Between one and two years	399.8	371.2
Between two and five years	308.1	240.1
Beyond five years	75.5	13.4
	1,372.1	1,175.6

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

6 Net operating costs

	2009 US\$m	2008 US\$m
Cost of sales	(437.8)	(574.3)
Other income	2.2	0.8
Administrative expenses	(72.5)	(53.0)
	(508.1)	(626.5)

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

Cost of properties for sale recognised as expenses	(318.8)	(258.1)
Direct operating expenses arising from investment properties	(119.0)	(136.0)
Provision for development properties held for sale	–	(180.2)
Depreciation of tangible assets (see Note 12)	(1.6)	(1.7)
Staff costs		
– salaries and benefits in kind	(69.9)	(59.2)
– defined contribution pension plan	(2.3)	(2.0)
– defined benefit pension plan (see Note 16)	(0.5)	0.4
	(72.7)	(60.8)

The number of employees at 31st December 2009 was 1,104 (2008: 1,086).

7 Net financing charges

	2009 US\$m	2008 US\$m
Interest expenses		
– Bank loans and overdrafts	(35.6)	(51.1)
– Other borrowings	(67.5)	(74.5)
Total interest expenses	(103.1)	(125.6)
Interest capitalised	8.2	12.4
Commitment and other fees	(94.9)	(113.2)
	(15.1)	(3.1)
Financing charges	(110.0)	(116.3)
Financing income	58.0	71.8
	(52.0)	(44.5)

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

8 Share of results of associates and joint ventures

	2009 US\$m	2008 US\$m
By business		
Commercial property	14.6	17.8
Residential property	163.2	63.5
	177.8	81.3
Increase/(decrease) in fair value of investment properties		
– Commercial property	49.4	(9.8)
– Residential property	(0.6)	(6.3)
	48.8	(16.1)
Asset impairment provisions, reversals and disposals	(4.2)	(0.3)
	222.4	64.9

Results are shown after tax and minority interests. The share of revenue of associates and joint ventures was US\$538.8 million (2008: US\$362.3 million).

Notes to the Financial Statements

9 Tax

	2009 US\$m	2008 US\$m
Current tax	(115.0)	(79.7)
Deferred tax		
– changes in fair value of investment properties	(168.9)	228.6
– other temporary differences	(5.3)	(1.4)
	(174.2)	227.2
	(289.2)	147.5
Reconciliation between tax (expense)/credit and tax at the applicable tax rate		
Tax at applicable tax rate	(289.4)	60.9
Change in Singapore/Hong Kong profits tax rate	1.8	123.6
Changes in fair value of investment properties not deductible in determining taxable profit	(1.2)	(1.8)
Asset impairment provisions, reversals and disposals not (deductible)/taxable in determining taxable profit	(2.2)	0.6
Expenses not deductible in determining taxable profit	(6.2)	(39.3)
Other income not subject to tax	7.5	2.9
Utilisation of previously unrecognised tax losses	0.4	1.1
Overprovision in prior years	2.4	0.5
Losses not recognised	(0.7)	(1.0)
Deferred tax assets written off	(1.0)	–
Deferred tax liabilities written back	0.4	–
Withholding tax	(1.0)	–
	(289.2)	147.5
Tax relating to components of other comprehensive income is analysed as follows:		
Revaluation of tangible assets	(13.3)	–
Pension assets	(0.7)	2.1
Cash flow hedges	(0.1)	1.7
	(14.1)	3.8

The applicable tax rate for the year of 16.5% (2008: 17.6%) represents the weighted average of the rates of taxation prevailing in the territories in which the Group operates. The decrease in the applicable tax rate is caused by a change in the profitability of the Group's subsidiaries in the respective territories.

Share of tax of associates and joint ventures of US\$47.3 million (2008: US\$18.6 million) are included in share of results of associates and joint ventures.

10 Earnings per share

Basic earnings/loss per share are calculated on profit attributable to shareholders of US\$1,641.1 million (2008: loss of US\$109.4 million) and on the weighted average number of 2,249.3 million (2008: 2,285.9 million) shares in issue during the year.

Diluted earnings/loss per share are calculated on profit attributable to shareholders of US\$1,661.8 million (2008: loss of US\$89.3 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 (2008: 2,389.8 million) shares in issue during the year. The weighted average number of shares for basic and diluted earnings/loss per share is reconciled as follows:

	Ordinary shares in millions	
	2009	2008
Weighted average number of shares in issue	2,249.3	2,285.9
Adjustment for shares to be issued on conversion of convertible bonds	103.9	103.9
Weighted average number of shares for diluted earnings per share calculation	2,353.2	2,389.8

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

	2009		2008	
	Basic earnings per share	Diluted earnings per share	Basic earnings per share	Diluted earnings per share
	US\$m	US¢	US\$m	US¢
Underlying profit attributable to shareholders	777.1	34.55	375.1	16.41
Non-trading items (see Note 11)	864.0		(484.5)	
Profit/(loss) attributable to shareholders	1,641.1	72.96	(109.4)	(4.79)
Interest expense on convertible bonds (net of tax)	20.7		20.1	
Profit/(loss) for calculation of diluted earnings per share	1,661.8	70.62	(89.3)	(4.79)

11 Non-trading items

	2009	2008
	US\$m	US\$m
Revaluation surpluses/(deficits) of investment properties	1,000.6	(698.9)
Deferred tax (charges)/credit on revaluation surpluses/deficits of investment properties	(168.9)	228.6
Share of revaluation surpluses/(deficits) of investment properties of associates and joint ventures (net of deferred tax)	48.8	(16.1)
Asset impairment provisions, reversals and disposals	(8.4)	1.8
Share of asset impairment provisions, reversals and disposals of associates and joint ventures	(4.2)	(0.3)
Minority interests	(3.9)	0.4
	864.0	(484.5)

Notes to the Financial Statements

12 Tangible assets

	Investment properties US\$m	Other properties US\$m	Other assets US\$m	Total US\$m
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 rate adjustments	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
2008				
Cost or valuation	14,260.6	10.5	11.9	14,283.0
Cumulative depreciation	–	(2.4)	(7.7)	(10.1)
Net book value at 1st January	14,260.6	8.1	4.2	14,272.9
Exchange rate adjustments	96.5	–	–	96.5
Additions	44.5	0.4	3.9	48.8
Depreciation	–	(0.2)	(1.5)	(1.7)
Disposals	–	–	(0.1)	(0.1)
Net revaluation deficit	(698.9)	–	–	(698.9)
Net book value at 31st December	13,702.7	8.3	6.5	13,717.5
Cost or valuation	13,702.7	10.9	15.3	13,728.9
Cumulative depreciation	–	(2.6)	(8.8)	(11.4)
	13,702.7	8.3	6.5	13,717.5

The Group's investment properties were revalued at 31st December 2009 by independent qualified valuers. As a result, a surplus of US\$1,000.6 million (2008: deficit of US\$698.9 million) has been taken to the consolidated profit and loss account.

All the Group's commercial investment properties in Hong Kong, Singapore and Vietnam are held under leases with unexpired lease terms of more than 20 years. Details concerning the Group's commercial investment properties are set out on page 66.

The other properties revaluation surplus of US\$83.3 million less deferred tax of US\$13.3 million have been taken to asset revaluation reserve which is included in the revenue reserves as at 31st December 2009.

13 Associates and joint ventures

	2009 US\$m	2008 US\$m
Share of unlisted associates and joint ventures' net assets	2,278.6	1,769.4
Goodwill on acquisition	26.6	28.1
	2,305.2	1,797.5
<p>The Group's share of assets, liabilities, capital commitments and contingent liabilities of associates and joint ventures are summarised below:</p>		
Non-current assets	1,845.2	1,202.4
Current assets	1,193.9	1,441.1
Current liabilities	(454.4)	(523.5)
Non-current liabilities	(303.4)	(350.5)
Minority interests	(2.7)	(0.1)
	2,278.6	1,769.4
Capital commitments	184.1	283.9
Contingent liabilities	42.4	43.7

14 Other investments

	2009 US\$m	2008 US\$m
Listed securities	46.4	–

The Group's other investments were available-for-sale financial assets and were shown at fair value by reference to quoted prices in active markets.

Notes to the Financial Statements

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
2009					
At 1st January	–	(35.9)	(1,953.8)	1.3	(1,988.4)
Exchange rate adjustments	–	–	1.1	0.1	1.2
(Charged)/credited to profit and loss	0.5	(6.0)	(168.9)	0.2	(174.2)
(Charged)/credited to other comprehensive income	–	–	(13.3)	(0.8)	(14.1)
At 31st December	0.5	(41.9)	(2,134.9)	0.8	(2,175.5)
Deferred tax assets	0.5	–	–	3.4	3.9
Deferred tax liabilities	–	(41.9)	(2,134.9)	(2.6)	(2,179.4)
	0.5	(41.9)	(2,134.9)	0.8	(2,175.5)
2008					
At 1st January	0.1	(33.0)	(2,168.2)	(3.5)	(2,204.6)
Exchange rate adjustments	–	(0.2)	(14.2)	(0.4)	(14.8)
(Charged)/credited to profit and loss	(0.1)	(2.7)	228.6	1.4	227.2
(Charged)/credited to other comprehensive income	–	–	–	3.8	3.8
At 31st December	–	(35.9)	(1,953.8)	1.3	(1,988.4)
Deferred tax assets	–	1.1	–	3.4	4.5
Deferred tax liabilities	–	(37.0)	(1,953.8)	(2.1)	(1,992.9)
	–	(35.9)	(1,953.8)	1.3	(1,988.4)

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\$2.9 million (2008: US\$2.2 million) arising from unused tax losses of US\$17.2 million (2008: US\$12.8 million) have not been recognised in the financial statements. Unused tax losses have no expiry date.

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 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:

	2009 Weighted average %	2008 Weighted average %
Discount rate applied to pension obligations	5.0	6.0
Expected return on plan assets	7.5	7.5
Future salary increases	5.0	5.0

The expected return on plan assets is determined on the basis of long-term average returns on global equities of 3.8% to 11.3% per annum and global bonds of 2.8% to 4.4% per annum, and the long-term benchmark allocation of assets between equities and bonds in the plan.

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

	2009 US\$m	2008 US\$m
Fair value of plan assets	31.4	25.1
Present value of pension obligations	(21.4)	(19.0)
Pension assets	10.0	6.1
Movements in the fair value of plan assets:		
At 1st January	25.1	38.2
Exchange differences	–	0.1
Expected return	1.9	2.9
Contributions from plan members	0.5	0.5
Benefits paid	(0.4)	(2.1)
Actuarial gains/(losses)	4.3	(14.5)
At 31st December	31.4	25.1
Movements in the present value of pension obligations:		
At 1st January	19.0	20.9
Exchange difference	–	0.1
Interest cost	1.1	1.0
Current service cost	1.3	1.5
Benefits paid	(0.4)	(2.1)
Actuarial losses/(gains)	0.4	(2.4)
At 31st December	21.4	19.0

Notes to the Financial Statements

16 Pension plans continued

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

	2009	2008
	US\$m	US\$m
Equity instruments	14.1	11.3
Debt instruments	9.4	6.7
Other assets	7.9	7.1
	31.4	25.1

The estimated amount of contributions expected to be paid to the plans in 2010 is US\$0.5 million.

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

	2009	2008
	US\$m	US\$m
Current service cost	1.3	1.5
Interest cost	1.1	1.0
Expected return on plan assets	(1.9)	(2.9)
Expense/(income) recognised	0.5	(0.4)
Actual return/(loss) on plan assets in the year	6.2	(11.7)

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

The five year history of experience adjustments is as follows:

	2009	2008	2007	2006	2005
	US\$m	US\$m	US\$m	US\$m	US\$m
Fair value of plan assets	31.4	25.1	38.2	33.2	29.1
Present value of pension obligations	(21.4)	(19.0)	(20.9)	(19.3)	(18.3)
Surplus	10.0	6.1	17.3	13.9	10.8
Experience adjustments on plan assets	4.3	(14.5)	2.5	3.4	1.1
Percentage of plan assets (%)	14	58	7	10	4
Experience adjustments on pension obligations	1.2	–	(0.1)	–	0.3
Percentage of pension obligations (%)	6	–	–	–	2

17 Properties for sale

	2009 US\$m	2008 US\$m
Properties under development		
– land and development costs	832.6	955.1
– interest and other expenses capitalised	42.3	64.0
	874.9	1,019.1
Provision	(184.9)	(180.2)
	690.0	838.9
Completed properties	97.1	–
	787.1	838.9

At 31st December 2009, properties for sale of US\$289.9 million (2008: US\$296.6 million) were pledged as security for borrowings of US\$99.7 million (2008: US\$258.9 million) as shown in Note 21.

18 Debtors

	2009 US\$m	2008 US\$m
Trade debtors	65.7	80.6
Other debtors		
– third parties	185.7	217.3
– associates and joint ventures	120.6	93.2
	372.0	391.1
Non-current	56.7	101.9
Current	315.3	289.2
	372.0	391.1
By geographical area of operation		
Greater China	211.6	214.0
Southeast Asia and others	160.4	177.1
	372.0	391.1
Fair value		
Trade debtors	65.7	80.6
Other debtors	306.3	310.5
	372.0	391.1

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 2009, trade debtors of US\$0.5 million (2008: Nil) were impaired and fully provided.

Notes to the Financial Statements

18 Debtors continued

At 31st December 2009, trade debtors of US\$4.4 million (2008: US\$7.8 million) were past due but not impaired. The ageing analysis of these trade debtors is as follows:

	2009	2008
	US\$m	US\$m
Below 30 days	3.4	5.7
Between 31 and 60 days	0.6	1.6
Between 61 and 90 days	0.2	0.3
Over 90 days	0.2	0.2
	4.4	7.8

The risk of trade debtors that are neither past due nor impaired at 31st December 2009 becoming impaired is low as most of the balances have been settled subsequent to the year end.

Other debtors are further analysed as follows:

	2009	2008
	US\$m	US\$m
Prepayments	85.6	65.4
Derivative financial instruments	64.0	109.6
Amounts due from associates and joint ventures	120.6	93.2
Others	36.1	42.3
	306.3	310.5

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 which is calculated by reference to quoted prices in active markets.

The amounts due from associates and joint ventures are repayable on demand.

19 Bank balances

	2009	2008
	US\$m	US\$m
By geographical area of operation		
Greater China	61.9	39.4
Southeast Asia and others	1,164.2	1,079.6
	1,226.1	1,119.0

Bank balances of certain subsidiaries amounting to US\$53.8 million (2008: US\$58.3 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\$1,194.0 million (2008: US\$1,078.1 million) is 0.3% (2008: 1.9%) per annum.

20 Creditors

	2009 US\$m	2008 US\$m
Trade creditors	193.6	202.2
Amounts due to associates and joint ventures	81.7	23.9
Tenants' deposits	149.0	139.1
Other creditors	68.8	56.8
Derivative financial instruments	18.5	16.9
	511.6	438.9
Financial liabilities	7.5	7.4
Rent received in advance	218.5	249.3
Progress billings received	737.6	695.6
	50.5	26.8
Non-current	687.1	668.8
Current	737.6	695.6
	432.4	367.7
Greater China	305.2	327.9
Southeast Asia and others	737.6	695.6
	355.0	257.2
The remaining contractual maturities of financial liabilities other than derivative financial instruments are analysed as follows:	62.2	95.9
Within one year	58.5	50.1
Between one and two years	17.4	18.8
Between two and five years	493.1	422.0
Beyond five years		

Derivative financial instruments are stated at fair value which is calculated by reference to quoted prices in active market. Other creditors are stated at amortised cost. The fair value of these creditors approximates their carrying amounts.

Notes to the Financial Statements

21 Borrowings

	2009		2008	
	Carrying amount US\$m	Fair value US\$m	Carrying amount US\$m	Fair value US\$m
Current				
Bank overdrafts	1.1	1.1	1.9	1.9
Bank loans	–	–	9.0	9.0
Current portion of long-term borrowings				
– Bank loans	10.5	10.5	84.5	84.5
– 3.01% Singapore Dollar notes due 2010	234.3	234.5	–	–
	245.9	246.1	95.4	95.4
Long-term				
Bank loans	1,405.2	1,405.2	1,587.8	1,587.8
7% United States Dollar bonds due 2011	619.1	635.2	629.1	652.0
5.5% United States Dollar bonds due 2014	537.0	537.0	555.2	555.2
3.01% Singapore Dollar notes due 2010	–	–	229.4	229.8
3.65% Singapore Dollar notes due 2015	268.9	274.7	264.2	275.5
2.75% United States Dollar convertible bonds due 2012	368.1	385.0	358.4	355.2
Medium term notes	199.2	194.5	–	–
	3,397.5	3,431.6	3,624.1	3,655.5
	3,643.4	3,677.7	3,719.5	3,750.9

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 3.7% (2008: 0.8% to 5.6%) per annum. The fair values of current borrowings approximate their carrying amount, as the impact of discounting is not significant.

	2009 US\$m	2008 US\$m
Secured	99.7	258.9
Unsecured	3,543.7	3,460.6
	3,643.4	3,719.5

Secured borrowings at 31st December 2009 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:

- 4.135% 10-year notes with nominal value of HK\$200 million due on 17th September 2019
- 4.1875% 10-year notes with nominal value of HK\$300 million due on 23rd October 2019
- 4.25% 10-year notes with nominal value of HK\$300 million due on 25th November 2019
- 4.28% 12-year notes with nominal value of HK\$500 million due on 20th December 2021
- 3.86% 8-year notes with nominal value of S\$50 million due on 29th December 2017

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

	2009	2008
	US\$m	US\$m
Liability component at 1st January	358.4	349.3
Interest expense at effective interest rate	20.7	20.1
Interest expense at coupon rate	(11.0)	(11.0)
Liability component at 31st December	368.1	358.4

The borrowings are further summarised as follows:

	<u>Fixed rate borrowings</u>			Floating rate borrowings US\$m	Total US\$m
	Weighted average interest rates %	Weighted average period outstanding Years	US\$m		
By currency					
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
2008					
Hong Kong Dollar	3.6	1.8	900.6	1,091.9	1,992.5
Singapore Dollar	2.4	2.7	651.9	714.0	1,365.9
United States Dollar	5.5	4.0	358.6	2.5	361.1
			1,911.1	1,808.4	3,719.5

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

Notes to the Financial Statements

21 Borrowings continued

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.

	2009 US\$m	2008 US\$m
Within one year	356.6	219.7
Between one and two years	1,105.1	572.3
Between two and five years	2,016.7	2,545.9
Beyond five years	522.2	786.2
	4,000.6	4,124.1

22 Share capital

	Ordinary shares in millions		2009	2008
	2009	2008	US\$m	US\$m
Authorised				
Shares of US\$0.10 each	4,000.0	4,000.0	400.0	400.0
Issued and fully paid				
At 1st January	2,249.3	2,295.2	224.9	229.5
Repurchased and cancelled	–	(45.9)	–	(4.6)
At 31st December	2,249.3	2,249.3	224.9	224.9

In 2008, the Company repurchased 45.9 million ordinary shares from the stock market at a total cost of US\$119.7 million which was dealt with by charging US\$4.6 million to share capital and US\$115.1 million to revenue reserves.

23 Net asset value per share

Net asset value per share is calculated on shareholders' funds of US\$12,755.9 million (2008: US\$11,313.3 million) and on 2,249.3 million (2008: 2,249.3 million) shares issued at the year end.

Net asset value per share is additionally calculated based on adjusted shareholders' funds. The difference between adjusted shareholders' funds and shareholders' funds is reconciled as follows:

	2009		2008	
	US\$m	Net asset value per share US\$	US\$m	Net asset value per share US\$
Shareholders' funds	12,755.9	5.67	11,313.3	5.03
Deferred tax on revaluation surpluses of investment properties	2,133.2		1,951.7	
Share of deferred tax on revaluation surpluses of investment properties of associates and joint ventures	46.9		43.1	
Adjusted shareholders' funds	14,936.0	6.64	13,308.1	5.92

24 Dividends

	2009 US\$m	2008 US\$m
Final dividend in respect of 2008 of US¢7.00 (2007: US¢9.00) per share	157.5	206.6
Interim dividend in respect of 2009 of US¢6.00 (2008: US¢6.00) per share	134.9	137.7
	292.4	344.3

A final dividend in respect of 2009 of US¢10.00 (2008: US¢7.00) per share amounting to a total of US\$224.9 million (2008: US\$157.5 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 2010.

25 Purchase of a subsidiary

	Book value US\$m	2009 Fair value adjustments US\$m	Fair value US\$m
Current assets	87.2	–	87.2
Current liabilities	(3.9)	–	(3.9)
Other non-current liabilities	(10.5)	–	(10.5)
Net assets	72.8	–	72.8
Adjustment for minority interests			2.2
Net assets acquired			75.0
Adjustment for carrying value of associates and joint ventures			(29.2)
Cash and cash equivalents acquired			(3.8)
Net cash outflow			42.0

During the year, the Group increased its interest in King Kok Investment Limited ('Kingkok') from 35% to 90%. Fair value adjustments were determined based on fair values of Kingkok's identifiable assets and liabilities at the date on which the Group obtained control. Revenue and profit after tax since acquisition amounted to US\$2.5 million and US\$0.8 million respectively. Had the acquisition occurred on 1st January 2009, the Group's consolidated revenue and profit after tax for the year ended 31st December 2009 would have been US\$1,328.7 million and US\$1,678.9 million respectively.

26 Cash and cash equivalents

	2009 US\$m	2008 US\$m
Bank balances	1,226.1	1,119.0
Bank overdrafts (see Note 21)	(1.1)	(1.9)
	1,225.0	1,117.1

Notes to the Financial Statements

27 Derivative financial instruments

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

	2009		2008	
	Positive fair value US\$m	Negative fair value US\$m	Positive fair value US\$m	Negative fair value US\$m
Designated as cash flow hedges				
– interest rate swaps	4.8	11.8	13.8	16.9
– cross currency swaps	2.4	2.8	7.6	–
Designated as fair value hedges				
– interest rate swaps	4.8	3.9	7.8	–
– cross currency swaps	52.0	–	78.0	–
Not qualified as hedges				
– interest rate swaps	–	–	0.1	–
– cross currency swaps	–	–	2.3	–

The remaining contractual maturities of net settled and gross settled 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
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
2008				
Net settled				
– interest rate swaps	13.0	7.5	2.7	–
Gross settled				
– cross currency swaps	33.3	33.3	636.8	505.8
	46.3	40.8	639.5	505.8

27 Derivative financial instruments continued

Interest rate swaps

The notional principal amounts of the outstanding interest rate swap contracts at 31st December 2009 were US\$1,401.2 million (2008: US\$1,491.5 million).

At 31st December 2009, the fixed interest rates relating to interest rate swaps vary from 1.84% to 5.16% (2008: 1.90% to 5.16%).

The fair values of interest rate swaps are based on the estimated cash flows discounted at market rates ranging from 0.14% to 2.71% (2008: 0.95% to 1.99%) per annum.

Cross currency swaps

The contract amounts of the outstanding cross currency swap contracts at 31st December 2009 were US\$1,176.7 million (2008: US\$1,100.0 million).

28 Commitments

	2009 US\$m	2008 US\$m
Capital commitments		
Authorised not contracted	166.9	131.0
Contracted not provided	17.1	24.4
	184.0	155.4
Contribution to associates and joint ventures	614.7	744.4
Operating lease commitments		
Due within one year	1.4	0.7
Due between one and two years	0.8	0.5
Due between two and three years	0.4	0.5
Due between three and four years	-	0.3
	2.6	2.0

29 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.

Notes to the Financial Statements

30 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\$3.9 million (2008: US\$1.9 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 2009 amounted to US\$14.0 million (2008: US\$8.2 million).

Jardine Matheson group members provided property construction, maintenance and other services to the Group in 2009 in aggregate amounted to US\$77.0 million (2008: US\$23.2 million).

Hotel management services

Jardine Matheson group members provided hotel management services to the Group in 2009 amounted to US\$0.9 million (2008: US\$0.6 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 59 under the heading of 'Appointments, Retirement, Remuneration and Service Contracts'.

31 Summarised balance sheet of the Company

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

	2009 US\$m	2008 US\$m
Net operating assets		
Investments at cost		
Unlisted shares in subsidiaries	4,481.7	4,481.7
Net amounts due to subsidiaries	(708.2)	(827.9)
	3,773.5	3,653.8
Creditors and other accruals	(18.7)	(19.2)
	3,754.8	3,634.6
Capital employed		
Share capital (see Note 22)	224.9	224.9
Revenue and other reserves		
Contributed surplus	2,249.6	2,249.6
Revenue reserves	1,280.3	1,160.1
	3,529.9	3,409.7
Shareholders' funds	3,754.8	3,634.6

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.

Notes to the Financial Statements

32 Principal subsidiaries, associates and joint ventures

The principal subsidiaries, associates and joint ventures of the Group at 31st December 2009 are set out below.

	Effective holding %		Issued share capital	Main activities	Country of incorporation
	2009	2008			
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
Hongkong Land Credit Limited	100	100	HKD 200	Finance	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 53 and 54)	77.4	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
King Kok Investment Limited	90	35	USD 10,000	Property investment	Mauritius

* Owned directly

32 Principal subsidiaries, associates and joint ventures continued

	Effective holding %		Issued share capital		Main activities	Country of incorporation
	2009	2008				
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
Grosvenor Land Property Fund Limited	21.4	21.4	Ord.USD Pref.USD	28,000 100	Property investment	Bermuda
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	30.3	30.3	USD	10,000	Property investment	British Virgin Islands
Cosmo City Limited	50	–	HKD	2	Property investment	Hong Kong
Jardine Gibbons Properties Limited	40	40	BD	600,000 'A' 400,000 'B'	Property holding	Bermuda
MCL Land Limited's principal subsidiaries, associates and joint ventures						
MCL Land Holdings Pte Ltd	77.4	77.4	SGD	6,000,000	Property investment	Singapore
MCL Land (Serangoon) Pte Ltd	77.4	77.4	SGD	1,000,000	Property development	Singapore
MCL Land (Grange) Pte Ltd	77.4	77.4	SGD	1,000,000	Property development	Singapore
Richdeal Pte. Ltd.	77.4	77.4	SGD	1,000,000	Property development	Singapore
MCL Land (Properties) Pte. Ltd.	77.4	77.4	SGD	1,000,000	Property development	Singapore
Superport Pte. Ltd.	77.4	77.4	SGD	1,000,000	Property development	Singapore
Maxgrowth Pte. Ltd.	77.4	77.4	SGD	1,000,000	Property development	Singapore
Acecharm Pte. Ltd.	77.4	77.4	SGD	1,000,000	Property development	Singapore
MCL Land Realty Pte. Ltd.	77.4	77.4	SGD	1,000,000	Property development	Singapore

Notes to the Financial Statements

32 Principal subsidiaries, associates and joint ventures continued

	Effective holding %		Issued share capital	Main activities	Country of incorporation	
	2009	2008				
MCL Land Limited's principal subsidiaries, associates and joint ventures <small>continued</small>						
MCL Land Development Pte. Ltd.	77.4	77.4	SGD	1,000,000	Property development	Singapore
MCL Land (Prime) Pte. Ltd.	77.4	77.4	SGD	1,000,000	Property development	Singapore
Caseldine Investments Pte Ltd	77.4	77.4	SGD	1,000,000	Property development	Singapore
Kedron Investments Pte Ltd	77.4	77.4	SGD	1,000,000	Property development	Singapore
MCL Land (Warren) Pte Ltd	77.4	77.4	SGD	1,000,000	Property development	Singapore
MCL (Century Gardens) Sdn. Bhd.	77.4	77.4	MYR	6,608,763	Property investment	Malaysia
MCL (Pantai View) Sdn. Bhd.	77.4	77.4	MYR	2,000,000	Property investment	Malaysia
Grange Development Pte Ltd	41.4	41.4	SGD	1,000,000	Property development	Singapore
Calne Pte Ltd	38.7	38.7	SGD	1,000,000	Property development	Singapore
Golden Quantum Acres Sdn Bhd	38.7	38.7	MYR	10,764,210	Property development	Malaysia
Sunrise MCL Land Sdn Bhd	38.7	38.7	MYR	2,000,000	Property development	Malaysia
MSL Properties Sdn Bhd	38.7	38.7	MYR	3,000,000	Property development	Malaysia

Independent Auditor's Report

To the members of Hongkong Land Holdings Limited

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 2009 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.

Auditor's 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 auditor's 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 auditor considers 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 2009, 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.

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.

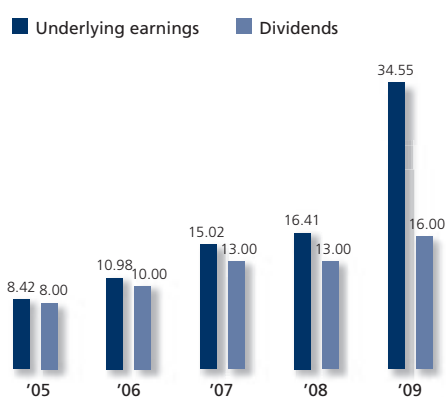
PricewaterhouseCoopers LLP

Chartered Accountants
London
United Kingdom
4th March 2010

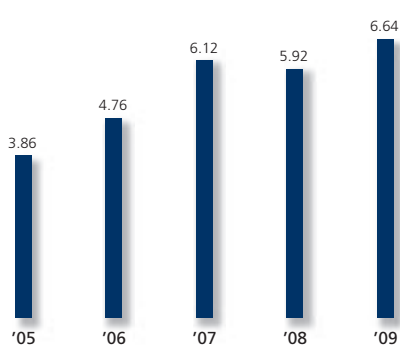
Five Year Summary

	2005 US\$m	2006 US\$m	2007 US\$m	2008 US\$m	2009 US\$m
Profit/(loss) attributable to shareholders	2,061	1,901	2,840	(109)	1,641
Underlying profit attributable to shareholders	188	245	345	375	777
Investment properties	9,779	11,651	14,261	13,703	14,818
Net debt	1,855	2,312	2,431	2,601	2,417
Shareholders' funds	7,215	9,197	11,833	11,313	12,756
Adjusted shareholders' funds*	8,592	10,922	14,041	13,308	14,936
	US\$	US\$	US\$	US\$	US\$
Net asset value per share	3.24	4.01	5.16	5.03	5.67
Adjusted net asset value per share*	3.86	4.76	6.12	5.92	6.64

Underlying earnings/dividends per share (US¢)



Adjusted net asset value per share* (US\$)



*Based on shareholders' funds excluding deferred tax on revaluation surpluses of investment properties that would not be payable if the properties were sold

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

A J L Nightingale

Y K Pang

Directors

4th March 2010

Corporate Governance

The Group's corporate governance relies on a combination of shareholder, board and management supervision and strict compliance, internal audit and risk control procedures, within the context of the various international regulatory regimes to which the Group is subject.

Hongkong Land Holdings Limited is incorporated in Bermuda. The Group's property interests are almost entirely in Asia. The Company has its primary share listing on the London Stock Exchange and secondary listings in Bermuda and Singapore. With effect from 6th April 2010, the Company's share listing in London will be included within the new Premium listing segment. The primary corporate governance regime applicable to the Company arises under the laws of Bermuda, including under certain specific statutory provisions that apply to the Company alone. The Company has fully complied with that governance regime. This Report outlines the significant ways in which the Company's corporate governance practices differ from those set out in the Combined Code ('Code'), which was originally introduced in relation to United Kingdom incorporated companies listed on the London Stock Exchange.

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 15 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. The Board regards Asian business experience and relationships as more valuable attributes of its non-executive Directors than formal independence criteria. The Company has not designated a 'senior independent director' as set out in the Code, nor does it have nomination or remuneration committees or a formal Board evaluation process. Decisions on nomination and remuneration result from consultations between the Chairman and the Managing Director and other Directors as they consider appropriate. The four executives of Jardine Matheson on the board of HKL, being A J L Nightingale, Mark Greenberg, James Riley and Giles White, also form the HKL audit committee that has responsibility for the Group.

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 based outside Asia make regular visits to Asia and Bermuda, where they participate in five annual strategic reviews, four of which normally precede the full 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 2010, and ad hoc procedures are adopted to deal with urgent matters. Two meetings each year are held in Bermuda and two in Asia. 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.

Appointments, Retirement, Remuneration and Service Contracts

Candidates for appointment as executive Directors of the Company, or as executive directors of HKL or 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 of the highest calibre in their area of expertise, combining international best practice with experience of and an affinity with 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.

James Watkins was appointed as a Director of the Company with effect from 6th May 2009. John R Witt was appointed as a Director and Chief Financial Officer of the Company with effect from 1st April 2010. In accordance with Bye-law 85, Lord Leach of Fairford, Dr Richard Lee and Y K Pang retire by rotation at the Annual General Meeting and, being eligible, offer themselves for re-election. In accordance with Bye-law 92, James Watkins and John R Witt will also retire, and, being eligible, offer themselves for re-election. None of the Directors proposed for re-election has a service contract with the Company or its subsidiaries.

The Company's policy is to offer competitive remuneration packages to its senior executives. It is recognised that, due to the nature of the Group and its diverse geographic base, a number of its senior executives, including the Chief Executive and Chief Financial Officer, are required to be offered international terms. The nature of the remuneration packages is designed to reflect this, for example by the provision of accommodation.

Non-executive Directors' fees are decided upon by shareholders in general meeting as provided for by the Company's Bye-laws. For the year ended 31st December 2009, the Directors received from the Group US\$2.6 million (2008: US\$1.8 million) in Directors' fees and employee benefits, being US\$0.3 million (2008: US\$0.2 million) in Directors' fees, US\$2.2 million (2008: US\$1.5 million) in short-term employee benefits including salary, bonus, accommodation and deemed benefits in kind and US\$0.1 million (2008: 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.

The Secretary of the Company, Charles Harry Wilken, sadly passed away unexpectedly on 24th January 2010. Dianne Edmunds, Assistant Secretary of the Company, is acting Secretary until a successor to the position of Company Secretary takes office.

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.

Corporate Governance

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.

Internal Control

The Board has overall responsibility for the Group's system of 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 62.

The Board has delegated to the audit committee of HKL responsibility for reviewing the operation and effectiveness of the Group's system of internal control and the procedures by which this is monitored. The audit committee considers the system and procedures on a regular basis, and reports to the Board semi-annually. The chief executive and chief financial officer of HKL, together with representatives of the internal and external auditors, attend the meetings of the audit committee by invitation.

Executive management is responsible for the implementation of the system of internal control throughout the Group and the internal audit function monitors the effectiveness of the system. 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 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 is also an important part of 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 is undertaken by the audit committee of HKL with the executive management and a report is received from the external auditors. 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 department. The audit committee of HKL also keeps under review the independence and objectivity of the external auditors.

Directors' Share Interests

The Directors of the Company in office on 1st April 2010 had interests (within the meaning of the Disclosure and Transparency Rules ('DTRs') of the Financial Services Authority (the 'FSA') of the United Kingdom) in the ordinary share capital of the Company at 12th March 2010 as set out below. These interests included those notified to the Company in respect of the Directors' connected persons (as that term is used in the DTRs in relation to companies incorporated outside the United Kingdom).

Simon Keswick	74,521
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, which is directly interested in 1,124,916,146 ordinary shares carrying 50.01% 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 12th March 2010.

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

Relations with Shareholders

The Company holds meetings following the announcement of the annual and half-year results with institutional shareholders. A corporate website is maintained containing a wide range of information of interest to investors at www.hkland.com.

The 2010 Annual General Meeting will be held on 5th May 2010. 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.

Securities Purchase Arrangements

At the Annual General Meeting held on 6th May 2009, 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 30 to the financial statements on page 50. 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 60 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 13 and Note 2 to the Financial Statements on pages 26 to 29.

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

2009 full-year results announced	4th March 2010
Share registers closed	22nd to 26th March 2010
Annual General Meeting to be held	5th May 2010
2009 final dividend payable	12th May 2010
2010 half-year results to be announced	29th July 2010 *
Share registers to be closed	23rd to 27th August 2010 *
2010 interim dividend payable	13th October 2010 *

* 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 2009 final dividend by notifying the United Kingdom transfer agent in writing by 23rd April 2010. The sterling equivalent of dividends declared in United States dollars will be calculated by reference to a rate prevailing on 28th April 2010. 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.

Management and Offices

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
James Riley
J A Robinson
Giles White
M Whitehead
John R Witt Chief Financial Officer
R Wong

Corporate Secretary

N M McNamara

Offices

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Robert Garman

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Shirley Lam

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Joe Kwok

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Joe Kwok / Ling Chang Feng

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Hugh Andrew

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 the Annual Report 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 2009, totalled US\$14,711,400,000 (United States Dollars Fourteen Billion Seven Hundred Eleven Million and Four 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 Ltd

Hong Kong, 4th March 2010

Property Portfolio

at 31st December 2009

Commercial Investment Property

	LETTABLE AREA			Total levels	Year of completion	Lease expiry
	Total	Office	Retail			
	(in thousands of square feet)					
Hong Kong*						
Alexandra House	372	323	49	37	1976	2899
Chater House	464	418	46	33	2002	2898
Exchange Square	1,474					2057**
One Exchange Square		567	–	52	1985	
Two Exchange Square		505	–	51	1985	
Three Exchange Square		321	–	33	1988	
Podium		–	49	3	1985	
The Forum		–	32	5	1988	
Jardine House	676	636	40	52	1973	2045**
The Landmark	1,323					2842
Gloucester Tower		470	–	48	1980	
Atrium		–	259	8	1980	
Edinburgh Tower		338	143	47	1983	
York House		113	–	26	2006	
Prince's Building	548	403	145	29	1965	2895
	<u>4,857</u>	<u>4,094</u>	<u>763</u>			
Singapore						
One Raffles Link	<u>309</u>	<u>236</u>	<u>73</u>	10	2000	2095
Hanoi, Vietnam						
Central Building	41	37	4	9	1995	2033
63 Lý Thái Tổ'	74	68	6	10	1998	2039
	<u>115</u>	<u>105</u>	<u>10</u>			

* Property in Hong Kong is almost entirely held under leases originally granted from the Crown. Under the Basic Law of the Hong Kong Special Administrative Region, all rights in relation to such leases will continue to be recognised and protected. All the Group's investment properties are leasehold and directly held under these leases.

** There is an option to renew these leases for a further term of 75 years.

Residential Development Property for Sale

	Address	Site area	Lease expiry
Hong Kong			
Tai Hang Road	Tai Hang Road	66,713 sq. ft	2113
Singapore			
Waterfall Gardens	Farrer Road	160,934 sq. ft	Freehold
D'Pavilion	Upper Serangoon Road	46,098 sq. ft	Freehold
The Peak@Balmeg	Balmeg Hill	184,143 sq. ft	Freehold
Lot 6185M, 9866T MK 17	Boon Teck Road	27,858 sq. ft	Freehold
Lots 570N, 571X, 611N, 612X & 613L TS 26	Ewe Boon Road	63,572 sq. ft	Freehold
Lot 4239X MK 04	Sixth Avenue	69,018 sq. ft	Freehold
Lot 3078 MK 19	Yishun Avenue 1 / Avenue 2	290,080 sq. ft	2107
Lots 7289V, 7290M, 9052L & 9053C MK 27	Upper East Coast Road	65,110 sq. ft	Freehold
Lot 8547P & 8550P MK 18	Nim Road	193,267 sq. ft	Freehold

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.



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Beyond Central & Regional Developments

Singapore



One Raffles Link



CityLink Mall



Marina Bay Financial Centre



One Raffles Quay

Singapore Thailand Vietnam



Parvis



Gaysorn



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

