Annual Report 2012

Hongkong Land Holdings Limited

Hongkong Land's retail portfolio located in the heart of Hong Kong's Central District is one of the world's most prestigious shopping destinations (front cover).

Jardines
A member of the Jardine Matheson Group

Contents

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

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

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

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

Corporate Information

Directors

Simon Keswick Chairman
Ben Keswick Managing Director
Y.K. Pang Chief Executive
Charles Allen-Jones
Mark Greenberg
Jenkin Hui
Adam Keswick
Sir Henry Keswick
Lord Leach of Fairford
Dr Richard Lee
Anthony Nightingale
Lord Powell of Bayswater, KCMG
Lord Sassoon, Kt
James Watkins
Percy Weatherall
John R. Witt
Michael Wei Kuo Wu

Company Secretary and Registered Office

John C. Lang
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Bermuda

Hongkong Land Limited

Directors

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

Corporate Secretary

N.M. McNamara

Highlights

- **Good results in mixed markets**
- **Positive reversions in Hong Kong**
- **Higher contribution from residential operations**
- **Final dividend up 10% at US¢11.00**

Results

	2012	2011	Change
	US$m	US$m	%
Underlying profit attributable to shareholders*	**777**	703	11
Profit attributable to shareholders	**1,439**	5,306	(73)
Shareholders' funds	**26,148**	24,739	6
Net debt	**3,273**	2,359	39
	US¢	US¢	%
Underlying earnings per share*	**33.14**	30.29	9
Earnings per share	**61.36**	228.48	(73)
Dividends per share	**17.00**	16.00	6
	US$	US$	%
Net asset value per share	**11.11**	10.58	5

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

Chairman's Statement

Overview

Hongkong Land performed well during the year despite the effects on the region of the prevailing global economic uncertainty. Rental reversions in the Group's prime Hong Kong Central office portfolio remained positive overall as the market was supported by a lack of new supply. The contribution from the Group's Singapore commercial portfolio rose due to improved rents and the completion of the final office tower at Marina Bay Financial Centre. The contribution from residential development activities was higher than originally anticipated with two Singapore projects completing and further unit sales in Hong Kong.

Performance

In 2012, underlying profit attributable to shareholders rose 11% to US$777 million. Underlying earnings per share were up by 9%, reflecting the larger number of issued shares due to the conversion of convertible bonds during the year.

Including the net gains of US$662 million resulting from higher independent valuations of the Group's investment property interests, the profit attributable to shareholders for the year was US$1,439 million. This compares with US$5,306 million in 2011, which included a net gain of US$4,603 million arising from revaluations. The net asset value per share at 31st December 2012 was US$11.11 compared with US$10.58 at the end of 2011.

The Directors are recommending a final dividend of US¢11.00 per share for 2012, providing a total dividend for the year of US¢17.00 per share compared with US¢16.00 per share for 2011.

Group Review

Commercial Property

Leasing demand was relatively weak in both Hong Kong and Singapore during the year, particularly in the financial services sector. The effects were, however, tempered by the limited vacancy within the Group's buildings. In the Hong Kong Central office portfolio, vacancy was 3.4% at the year end, while the retail portfolio remained fully let. As a result, rental reversions continued to be generally positive with improvements in both the average office and retail rents.

In Singapore, the office portfolio was fully leased, with the exception of the third tower at Marina Bay Financial Centre, which was almost 80% let by the end of the year. The Group's 50%-owned office portfolio in Jakarta was 94% let.

In mainland China, the Group's commercial development projects are progressing well. Construction has commenced at the prime Wangfujing site in Beijing, which will be developed as a luxury retail complex including a Mandarin Oriental hotel. During the year, the Group acquired a 30% interest in a site on which a Grade A office building of some 120,000 sq. m. will be developed in the CBD Core Area of the Chaoyang District of Beijing.

Residential Developments

The Group's residential operations performed well. In Hong Kong, 20 units of the Serenade were handed over to buyers while the four remaining units at The Sail were sold. In Macau, 12 units were handed over to buyers at One Central. In Singapore, two fully pre-sold projects, D'Mira and 50%-owned Parvis, were completed and a site for future development was acquired in August 2012 for approximately US$300 million. In January 2013, a further site was secured for approximately US$350 million.

In mainland China, the Group benefited from continuing sales completions at Maple Place in Beijing and at its 50%-owned joint venture, Bamboo Grove, in Chongqing. Sales also continued at other Group projects in Chongqing, Chengdu and Shenyang.

Hongkong Land entered the Indonesian residential market in 2012 with a 49% interest in a joint venture that will develop a prime residential community on a 68 hectare site southwest of central Jakarta.

Financing

The Group's financial position remained strong with net debt of US$3.3 billion at the end of 2012, compared with US$2.4 billion at the end of 2011. The increase was due to site acquisition costs for the Beijing commercial projects and residential site payments. Gearing at the end of the year was 13%, compared with 10% at the end of 2011.

People

Our staff continued to provide high levels of professionalism. We are grateful to them for their enthusiasm, hard work and commitment in providing excellent property management services to our customers and in the development of our commercial and residential activities throughout the region.

We were pleased to welcome to the Board Michael Wu in December 2012 and Lord Sassoon in January 2013.

I will be stepping down as Chairman of the Company after the Annual General Meeting on 15th May 2013. I will remain as a non-executive Director. I am pleased to advise that Ben Keswick will be succeeding me as Chairman.

Outlook

While office leasing demand remains subdued, the Group's Hong Kong portfolio will continue to benefit in 2013 from limited new supply as well as strong demand for luxury retail space. Three residential projects are due for completion in Singapore, including the Marina Bay Suites development. The Group remains well positioned with its outstanding assets, strong reputation and wide experience of regional markets.

Simon Keswick
Chairman
7th March 2013

Chief Executive's Review

Hongkong Land performed ahead of expectations in 2012, supported by higher earnings from its commercial property interests and a good contribution from its residential property business. Given the uncertain economic environment, our results reflect well on the strength and resilience of our business model and strategy.

Business Model and Strategy

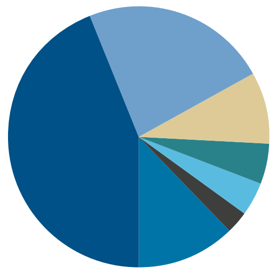
While the Group's Central portfolio in Hong Kong remains its most significant investment, the completion of the final office tower at Marina Bay Financial Centre in Singapore has provided Hongkong Land with a second important source of commercial property earnings and future capital appreciation. Our objective is to continue to grow the Group's investment portfolio of exceptional properties, which is well demonstrated by the acquisition in 2011 of the Wangfujing site in Beijing and by the acquisition last year of a 30% interest in a central Beijing office project.

At the same time, we continue to expand our residential business. In China, our attributable interest in the combined total developable area of our projects totals some 4.8 million sq. m. of which only 0.5 million sq. m. have been developed and sold. In Singapore, our wholly-owned subsidiary, MCL Land continues to perform well and acquire sites for future development. In Indonesia, we entered a 49%-owned joint venture to develop a residential site within BSD City, one of Jakarta's largest satellite townships, our first residential project in the country.

Hong Kong's Central Portfolio

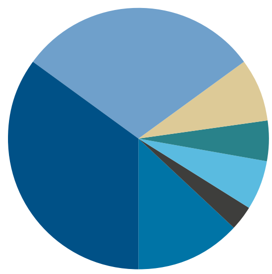
The Group's most significant investment is its prime portfolio in the heart of Hong Kong's Central district of some 450,000 sq. m. of Grade A office and luxury retail space. The location of this portfolio and its size provides a strong competitive position for the Group. Continued focus on the returns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

We continue to manage our 12 Grade A office and retail buildings as a large, integrated mixed-use development and look for opportunities to improve their value, such as the redevelopment of The Forum in Exchange Square from ancillary retail premises into an office building. At the same time, significant enhancements will be made to the surrounding Exchange Square Plaza.



2008

- 44% Banks and other financial services
- 23% Legal
- 9% Accounting
- 5% Governments
- 4% Property
- 3% Trading
- 12% Others



2012

- 35% Banks and other financial services
- 30% Legal
- 8% Accounting
- 5% Governments
- 6% Property
- 3% Trading
- 13% Others

Central portfolio tenant profile by area occupied

Top five office tenants (in alphabetical order) in 2012
BNP Paribas
JPMorgan
KPMG
PricewaterhouseCoopers
Securities and Futures Commission

Top five retail tenants (in alphabetical order) in 2012
Dickson Concepts
Giorgio Armani
Gucci
Louis Vuitton
Richemont Group

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

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

Commercial Property Investments in Asia

Over the past few years, the Group has extended its commercial property interests outside Hong Kong. Expansion has been assisted by both the Group's strong financial position and its reputation for quality. To date, the principal focus has been in Singapore where the Group now has attributable interests of 166,000 sq. m. (including its share of properties held through joint ventures). This is principally premium Grade A office space. The intention is also to expand the Group's portfolio in Jakarta which currently consists of 140,000 sq. m. of prime office space. This is held by a 50%-owned joint venture. In Beijing, two new projects are now underway.

We continue to look for attractive high-quality commercial projects throughout Asia which will offer development profits as well as long-term investments to be held for rental yield and capital appreciation.

In general, our performance in these markets depends on the levels of demand for and supply of commercial space, both of which are influenced by the overall economic environment.

Residential Developments

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

Annual returns from residential developments fluctuate due to the nature of the projects and the accounting policy of only recognising profits on sold units at completion. Demand is also dependent on overall economic conditions, which can be significantly affected by government policies. Ongoing land acquisitions are necessary to continue to build this income stream over the longer term.

Review of Commercial Property

Hong Kong

Leasing activity was relatively subdued in 2012 as demand from the financial services sector was weaker. As a result, market rents for Grade A office space decreased. Financial institutions, law firms and accounting firms comprise some 75% of the office space in our portfolio. Nonetheless, the Group achieved largely positive reversions on expiring leases or those coming due for rent review as the market was well supported by the limited new supply. In addition, no large tenants reduced significantly their space requirements. The average rent in 2012 was HK$90.3 per sq. ft, the highest Hongkong Land has achieved, compared with HK$87.0 per sq. ft in 2011. Vacancy at the end of 2012 was 3.4% compared with 2.0% at the end of 2011, which was exceptionally low. This compares favourably to the vacancy across the entire Grade A Central market of some 4.5% as at 31st December 2012.

Demand for retail space in Hong Kong remained strong and there was a limited new supply of high quality space. During 2012, Hongkong Land announced its new LANDMARK brand which encompasses all of the Group's luxury retail space in Central, comprising Landmark Atrium, Prince's Building, Alexandra House and Chater House. LANDMARK, with some 210 stores and restaurants, is one of the largest luxury shopping destinations on Hong Kong Island. The launch was accompanied by a significant conventional and social media campaign, targeting both the local and the important mainland China visitor market. Ensuring LANDMARK is the most prestigious retail centre in the region both for shoppers and brand owners is a key objective for us.

The average retail rent was HK$170.7 per sq. ft, an 11% increase over the 2011 average of HK$153.8 per sq. ft, adjusted to exclude The Forum building at Exchange Square now under redevelopment. The portfolio at the end of 2012 remained fully occupied.

Central portfolio

at 31st December 2012

	Office	Retail
Capital value (US$m)	17,558	4,569*
Gross revenue (US$m)	607	206*
Equivalent yield (%)		
– One and Two Exchange Square	4.00	
– Landmark Atrium		4.50
Average unexpired term of leases (years)	3.7	2.5
Area subject to renewal/review in 2013 (%)	22	33

* includes hotel

The value of the combined portfolio at 31st December 2012, based on independent valuations, was US$22.1 billion compared with US$21.7 billion a year earlier.

Singapore

There was also much less office leasing activity in Singapore compared with prior years, although our portfolio continued to perform well. Financial institutions, law firms and accounting firms account for some 85% of total leasable area within the portfolio. The office portfolio was fully leased with the exception of Tower 3 of Marina Bay Financial Centre, which was completed in the first half of the year. Excluding Tower 3, the average rent across the office portfolio in 2012 was S$8.9 per sq. ft compared with S$8.6 per sq. ft in the previous year.

At the end of 2012, Tower 3 was 78% let compared with 65% pre-let at the end of 2011. This increase was achieved despite the weaker demand and the competition from other new office buildings.

Vacancy across the Group's Singapore portfolio, including its one-third interest in Tower 3 at the end of 2012 was 5.6% compared with 9.2% at the end of 2011. This compares favourably to the vacancy across the entire Grade A CBD market of 8.4% as at 31st December 2012.

Other Commercial Property Investments

In 2012, the Group took a 30% interest in a consortium that will develop a prime Grade A office building of some 120,000 sq. m. in the CBD Core Area of Beijing's Chaoyang District. Construction is beginning on the Group's project in Wangfujing located in the heart of Beijing. This mixed-use project will be developed into the city's most prestigious shopping and dining destination, and will include a Mandarin Oriental hotel.

The Group's 47%-owned joint venture project in Macau, One Central, continued to benefit from growing retail sales, thereby increasing its contribution to Group results. With its 20,000 sq. m. of luxury retail space, One Central is regarded as the preeminent shopping destination in the Territory. Occupancy at the end of 2012 was 95%, up from 93% a year earlier with 2012 revenues increasing by 34%. Mandarin Oriental, Macau, the 213-room hotel which is seamlessly connected to the retail areas of One Central, continues to consolidate its position as one of the market's most exclusive hotels.

In Jakarta, a fourth tower was completed by the Group's 50%-owned joint venture, Jakarta Land, which is now 92% let. While rents remain low compared with other markets, they have increased significantly over the past two years. At 31st December 2012, vacancy across the portfolio was only 6%, including the new tower. The average gross rent in 2012 was US$20.6 per sq. m. compared with US$18.2 per sq. m. in 2011, the increase due in part to the higher rents of the newly completed tower.

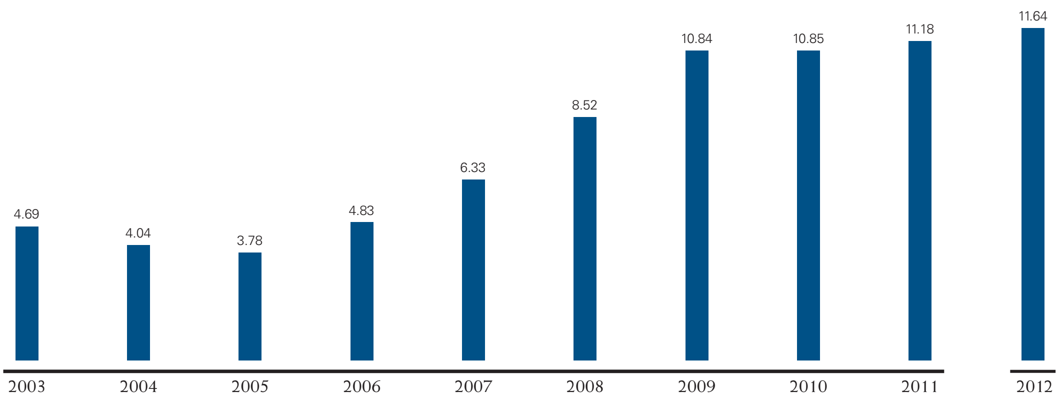
In Phnom Penh, Cambodia, planning has advanced for the development of one of the prime sites acquired in 2011 as a high quality office and retail complex.

The Group's other commercial investment properties in Hanoi, Bangkok and Bermuda continued to perform satisfactorily.

Review of Residential Property

Results from the Group's residential property activities were ahead of our original expectations due to higher than anticipated sales at two residential projects in Hong Kong, Serenade and The Sail, and the completion of two projects in Singapore, with the second, D'Mira, ahead of the original timing.

2012 was also an active year for sales launches. In Singapore, MCL Land launched its 679-unit Ripple Bay development, which was 96% sold at the year end. In mainland China, the Group's attributable interest in contracted sales across our six development projects was US$429 million in 2012, compared with US$160 million in the prior year. Despite the satisfactory sales performance, overall demand remained adversely affected by various government measures designed to dampen sentiment.



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

Hong Kong

A further 20 units were handed over to buyers at the Group's 97-unit Serenade project, compared with 23 units in 2011. At the end of the year, there were 18 units remaining for sale, in addition to three units whose sales are scheduled for completion in 2013. The remaining four units of the 95-unit The Sail development were also sold in 2012, compared to only one unit in 2011.

Macau

In Macau, 12 units were handed over to buyers at the Group's One Central joint venture development, including eight Residences at Mandarin Oriental, adjoining the hotel. This compares to 82 units in 2011. At the end of the year, there were three units remaining for sale in addition to ten units which are scheduled for completion over the next 18 months.

Singapore

Two projects were completed in 2012, Parvis, a 248-unit development held through a 50%-owned joint venture, and D'Mira, a 100%-owned, 65-unit development. In 2011, the only project completed in Singapore was the 180-unit Peak@Balmeg development.

In 2013, three projects are scheduled for completion. These developments include MCL Land's The Estuary with 608 units and Este Villa with 121 freehold townhouses, both of which are 100% pre-sold. In addition, the 221-unit Marina Bay Suites development, which has been 87% pre-sold, will be completed. This is one-third owned by Hongkong Land and is the final residential component of the Marina Bay Financial Centre complex.

In 2014, two projects are scheduled for completion, Uber 388 with 95 units and Terrasse with 414 units. At the end of 2012, these projects had been 86% and 100% pre-sold, respectively. In 2015, the 96% pre-sold Ripple Bay project with 679 units will be completed. In addition, the Group has four other projects that have not yet been launched for sale which will provide 1,500 units with a total area of 130,000 sq. m. This includes the two sites in Jurong which were acquired in August 2012 for some US$300 million and in January 2013 for some US$350 million.

Mainland China

The Group's residential business was active in four cities across mainland China. These are long-term projects of different product types that are being developed in phases over time. While conditions in 2012 remained challenging due to various government measures to dampen the residential property market, sales at our various projects have been encouraging. In the longer term, we believe that these projects are well positioned to meet market demand and should produce strong earnings for the Group.

Chongqing, the largest city in western China, is where the Group's most significant residential developments are located. These consist of four projects, being Bamboo Grove, Landmark Riverside, Yorkville South and the adjacent Yorkville North, a large site which was acquired in December 2011.

At Bamboo Grove, the Group's 50%-owned joint venture with Longfor Properties, a total of 1,289 units were completed and handed over to buyers in 2012 with a combined developable area of 184,000 sq. m. This was more than expected as in addition to the high-rise apartments in Phase 4B which were sold, the low-rise apartments in Phase 5A were completed ahead of time and handed over to buyers. In 2011, sales were recognised on 1,384 units covering 195,000 sq. m.

The townhouses of Phase 3C and the high-rise apartments of Phase 5B which have been 63% and 74% pre-sold, respectively, are scheduled for completion in 2013.

When completed, Bamboo Grove will comprise some 1.5 million sq. m. of mainly residential space, of which 766,000 sq. m. have already been developed and sold while 282,000 sq. m. are now under construction.

Landmark Riverside at Dan Zishi is the Group's second project in Chongqing. It is a 50%-owned joint venture with China Merchants Group, which will consist of approximately 1.5 million sq. m. of residential and some prime retail space built over a 34 hectare site in phases. A total of 1,249 high-rise apartments are being constructed in Phase 1 of the project, of which 56% have been pre-sold. The first units are scheduled to be handed over to buyers at the end of 2013.

Yorkville South is the Group's third project in Chongqing and is wholly-owned. The development is at Zhaomushan, near the core of the Two-River New Area. This wholly-owned project consists of a site of almost 39 hectares for mainly residential development with a small portion of retail. The total developable area of approximately 880,000 sq. m. is also being developed in phases. In 2012, construction continued on the 324 townhouses of Phase 1, which are targeted for completion in 2013. These have been 73% pre-sold.

Yorkville North is a 52 hectare site acquired in late 2011 and is the Group's fourth project in the city. It will be a premium residential development with some commercial components with a total gross floor area of some one million sq. m. Site preparations are underway for a phased development.

In Chengdu, construction is now underway at the 19 hectare site owned in a 50%-joint venture with KWG Property Holding Group. It is a mixed-use residential and commercial project with a developable area of approximately 900,000 sq. m. Phase 1 of the development will consist of 1,300 high-rise apartments, with the first completions due in 2014. 53% of the 383 units launched for sale have been pre-sold.

In Shenyang, construction continued at two of our 50%-owned residential projects in the city, which are located to the north and south of the Central Business District. At One Capitol, Phase 1A, consisting of 236 townhouses and low-rise apartments, was completed in 2012 and 85% of the units were handed over to buyers. At Park Life, the 140 townhouses and 234 low-rise apartments of Phases 2A and 2B were completed, and 67% of the units were handed over to buyers.

In Beijing, at the Group's 90%-owned Maple Place project, 13 additional units were handed over to buyers. A further 98 units are available for future sale. These consist of villas, townhouses and apartments with a total area of 23,000 sq. m. Most of the units are currently leased but our intention remains to refurbish and sell these units.

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

Outlook

The year ahead looks generally positive but significant challenges remain in the overall trading environment. Longer term, Hongkong Land's strong financial and competitive position will enable it to benefit from its existing commercial and residential property interests, as well as to capitalise on opportunities that are expected to become available as the region's development continues apace.

In 2013, in addition to solid returns from our existing commercial property interests, we expect an increased contribution from our Singapore residential business due to the anticipated completion of three projects. The results in China will continue to benefit from sales completions at Bamboo Grove and Maple Place, while in 2014 and beyond the Group should begin to see more significant profits from the residential sites it has acquired over the past few years. The scale of these profits will be significantly affected by selling conditions over the next 18 months which remain difficult to predict.

Meanwhile, we will remain focused on providing excellent service to our office and retail tenants and on ensuring a high quality product for our residential buyers. This is the foundation on which the Group's long-term competitive position is built.

Y.K. Pang
Chief Executive
7th March 2013

Financial Review

Accounting Policies

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

Results

Underlying Profit

The Group's underlying profit attributable to shareholders in 2012 was US$777 million (or US¢33.14 on an earnings per share basis). This result can be analysed between the contribution from Commercial Property, the contribution from Residential Property and unallocated expenses, which include corporate costs, net financing charges and tax. Each of these items includes the Group's share of results from its joint ventures.

	2012 US$m	2011 US$m
Commercial property	**820**	758
Residential property	**301**	289
Corporate costs, net financing charges and tax	**(339)**	(338)
Non-controlling interests	**(5)**	(6)
Underlying profit attributable to shareholders	**777**	703
	US¢	US¢
Underlying earnings per share	**33.14**	30.29

In 2012, the contribution from Commercial Property increased by 8% to US$820 million. Rental revenues from the Group's Hong Kong portfolio increased by 7% as the average rent per square foot for both the office and retail space rose due to positive rental reversions.

The contribution from the Group's commercial property investments in Singapore increased by 14% compared to the prior year. This was due to higher average rents and a modest contribution from the third tower of Marina Bay Financial Centre, which was completed in the first half of 2012.

The contribution from Residential Property was US$301 million, a 4% increase from 2011. In Singapore, two projects were completed during the year. Both D'Mira (65 units) and the 50%-owned joint venture project, Parvis (248 units) had been entirely pre-sold prior to completion. In addition, the Group benefited from an US$8 million reversal of a writedown in respect of its Uber 388 project following successful pre-sales. In 2011, there was a US$44 million reversal of writedowns. The Group continues to carry writedowns of approximately US$99 million which were originally made in 2008 in respect of development sites owned by MCL Land, its wholly-owned Singapore residential developer.

In Hong Kong, profits were also derived from the sale of 20 apartments which were handed over to buyers at the 97-unit Serenade development as well as the final four units at The Sail. In Macau, the Group benefited from its share of the profit from 12 units which were handed over to buyers at the residential component of One Central, Macau. In mainland China, profits were principally generated from sales at the 90%-owned Maple Place in Beijing (13 units), the 50%-owned Bamboo Grove development in Chongqing (1,289 units) and the 50% joint venture in Shenyang (451 units).

In 2011, the contribution from Residential Property of US$289 million arose from the completion of MCL Land's 180-unit Peak@Balmeg development in Singapore which had been 100% pre-sold, the sale of 23 apartments at Serenade in Hong Kong and 82 units at One Central in Macau as well as ongoing sales at Bamboo Grove and Maple Place in mainland China.

Net financing charges in 2012, including the Group's share of net financing charges within joint ventures, remained steady at US$96 million compared to US$97 million in 2011. The average interest rate on Group borrowings was 2.7% in 2012, compared to 2.6% in 2011. The average interest rate on Group deposits was 0.8% in 2012, compared with 0.5% in 2011.

The Group's underlying tax charge, including the Group's share of joint ventures, decreased to US$183 million from US$190 million in 2011 as the Group's effective tax rate was 16.4% compared with 16.8% in 2011.

Non-trading Gains

In 2012, the Group had non-trading gains of US$0.7 billion compared with US$4.6 billion in 2011. These arose on revaluations of the Group's investment properties, including its share of joint ventures, which were performed at 31st December 2012 by independent valuers.

The most significant increase in valuations came from the Group's Central portfolio in Hong Kong. This increased in value by 2% to US$22.1 billion from US$21.7 billion in 2011. This was due to rising retail rents which enhanced the value of the retail portfolio. In respect of the office space, market rental rates decreased but this was largely offset by a compression in capitalisation rates, or equivalent yields, with the value of the office portfolio falling only marginally. Outside Hong Kong, the Group benefited from higher valuations of its commercial properties held in joint ventures, particularly in Macau and Jakarta.

Cash Flows

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

	2012 US$m	2011 US$m
Operating activities		
Operating profit, excluding non-trading items	**800**	832
Net interest paid	**(34)**	(57)
Tax paid	**(148)**	(118)
Dividends received from joint ventures	**140**	58
Purchase of sites for residential development	**(791)**	(373)
Other	**332**	(6)
	299	336
Investing activities		
Major renovations capex	**(48)**	(51)
Funding of joint ventures	**(349)**	(257)
Loan repayments from joint ventures	**58**	111
Development expenditure – Wangfujing site, China	**(498)**	–
– Phnom Penh properties, Cambodia	**(2)**	(34)
Other	**(7)**	(4)
	(846)	(235)
Financing activities		
Dividends paid by the Company	**(374)**	(371)
Net drawdown/(repayment) of borrowings	**914**	(125)
Other	**21**	(4)
	561	(500)
Net increase/(decrease) in cash and cash equivalents	**14**	(399)
Cash and cash equivalents at 1st January	**967**	1,366
Cash and cash equivalents at 31st December	**981**	967

Cash flows from operating activities in 2012 were US$299 million, compared with US$336 million in 2011. The Group's operating profit from its subsidiaries, excluding non-trading items, was US$800 million, US$32 million lower than in 2011. This was largely due to lower residential profits in the Group's subsidiaries as Parvis, one of MCL Land's two projects to complete in the year, was undertaken through a 50% joint venture. Net interest paid of US$34 million was US$23 million lower than in 2011 while tax paid of US$148 million was US$30 million higher than in the prior year principally as a result of timing differences. Dividends received from joint ventures were US$140 million, following the completion of residential projects at One Central Macau and Parvis. Payments for residential development sites included US$489 million for the Yorkville North site in Chongqing and US$302 million for the Jurong Gateway site in Singapore. Other operating cashflows principally included residential sales proceeds received by the Group's subsidiaries in Singapore and China, partially offset by project construction payments.

Under investing activities in 2012, the Group had outlays of US$846 million, up from US$235 million in 2011. Capital expenditure of US$48 million related to major renovations, principally in respect of the Hong Kong Central portfolio. Funding of the Group's joint venture projects totalled US$349 million. This included US$112 million for the Group's 30% interest in the site on which a Grade A office development will be built in Beijing, US$129 million for the Group's 50%-owned joint venture residential project in Chengdu principally for site acquisition costs and further payments to finance construction at other joint venture residential developments in China and at Marina Bay Financial Centre in Singapore. Also, under investing activities, the Group received US$58 million of loan repayments from joint ventures, including US$36 million from One Central. This compared to total repayments of US$111 million in 2011, principally from One Central and Bamboo Grove.

The Group made payments of US$498 million for the Wangfujing site in Beijing, on which a luxury retail centre is being developed. In 2011, US$34 million was paid to acquire four sites in Phnom Penh, Cambodia.

Under financing activities, the Company paid dividends of US$374 million, being the 2011 final dividend of US¢10.00 and the 2012 interim dividend of US¢6.00. Also, the Group had a net drawdown of borrowings of US$914 million to finance its capital expenditure.

The Group's year end cash and cash equivalents totalled US$981 million, compared with US$967 million in 2011.

At 31st December 2012, the Group's net debt was US$3.3 billion, up from US$2.4 billion at the beginning of the year. The increase was principally due to payments for residential sites in Chongqing and Singapore and for the two commercial sites in Beijing, including the Group's 30% interest in the CBD office project.

Dividends

The Board is recommending an increased final dividend of US¢11.00 per share for 2012 that will increase the total annual dividend to US¢17.00 per share, an increase of 6% over 2011. The final dividend will be payable on 22nd May 2013, subject to approval at the Annual General Meeting to be held on 15th May 2013, to shareholders on the register of members at the close of business on 22nd March 2013. No scrip alternative is being offered in respect of the dividend.

Treasury Policy

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

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

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

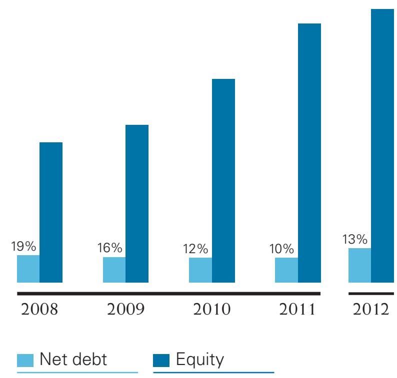
Funding

The Group is well financed with strong liquidity. Net gearing was 13% at 31st December 2012 up from 10% at 31st December 2011. The increase in gearing was principally due to significant land payments made in 2012. Interest cover, calculated as the underlying operating profits, including the Group's share of joint ventures' operating profits, divided by net financing charges including the Group's share of joint ventures' net financing charges, was strong at 11.0 times, compared with 10.3 times in 2011.

Year-end debt summary*

	2012 US$m	2011 US$m
US$ convertible bonds	**–**	57
US$ bonds/notes	**1,643**	1,151
US$ bank loans	**–**	–
HK$ bonds/notes	**929**	609
HK$ bank loans	**543**	673
S$ bonds/notes	**475**	446
S$ bank loans	**665**	391
Gross debt	**4,255**	3,327
Cash	**982**	968
Net debt	**3,273**	2,359

* Before currency swaps



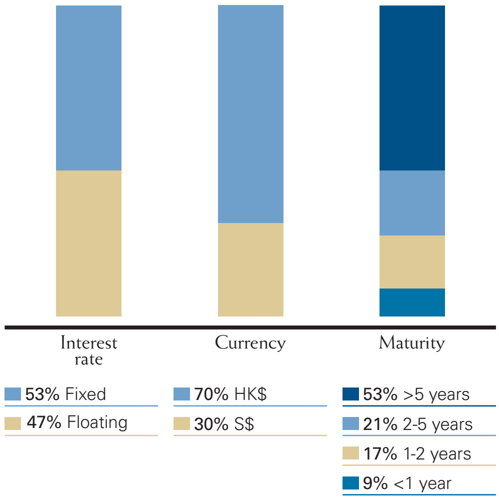
Net debt as a percentage of equity

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

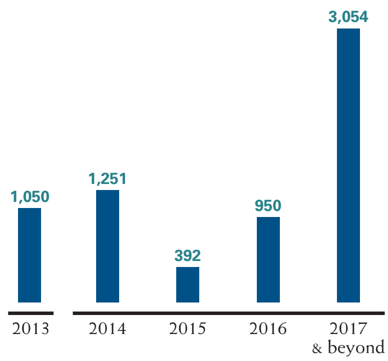
During the year, the Group issued US$837 million of Notes under its Guaranteed Medium Term Note Programme, with maturities ranging from 10 to 20 years. In addition, a total of US$880 million in bank debt was raised. This included US$642 million in bilateral loan facilities, signed with a number of banks to refinance partially a syndicated facility of HK$7.5 billion due in June 2013 and a project loan facility of US$238 million for a residential project in Singapore. A total of US$57 million of convertible bonds were converted into equity during 2012, with the remaining US$1 million of bonds redeemed at maturity. In 2011, US$336 million of convertible bonds were converted into equity.

The average tenor of the Group's debt was 6.9 years at 31st December 2012, compared with 6.8 years at the end of 2011. Approximately 47% of the Group's borrowings were at floating rates and the remaining 53% were covered by interest rate hedges with major credit worthy financial institutions and fixed rate borrowings.

At 31st December 2012, the Group had total committed lines of approximately US$6.7 billion. Of these lines, 55% were sourced from banks with the remaining 45% from the capital markets. At the end of 2012, the Group had drawn US$4.3 billion of these lines leaving US$2.4 billion of committed, but unused facilities. Adding the Group's year-end cash balances, the Group had overall liquidity at 31st December 2012 of US$3.4 billion, up from US$2.9 billion at the end of 2011.



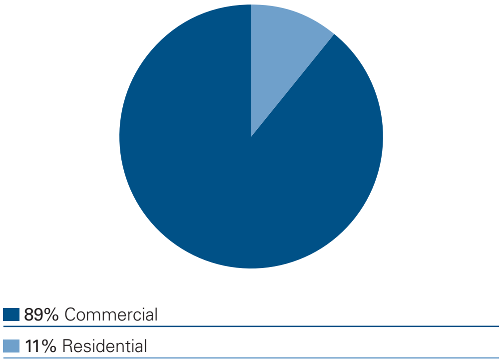
Debt profile at 31st December 2012



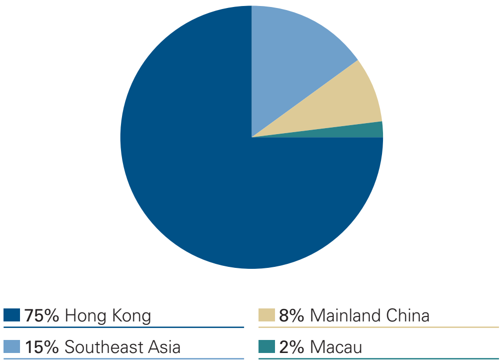
Committed facility maturity at 31st December 2012 (US$m)

Gross Assets

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



By activity



By location

Principal Risks and Uncertainties

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

John R. Witt
Chief Financial Officer
7th March 2013

Directors' Profiles

Simon Keswick Chairman

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

Ben Keswick* Managing Director

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

Y.K. Pang* Chief Executive

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

John R. Witt* Chief Financial Officer

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

* Executive Director

Charles Allen-Jones

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

Mark Greenberg

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

Jenkin Hui

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

Adam Keswick

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

Sir Henry Keswick

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

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 and Mandarin Oriental. He is also a member of the supervisory board of Paris Orléans. 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 honorary chairman of TAL Apparel. He is also a director of Jardine Matheson and Mandarin Oriental.

Anthony Nightingale

Mr Nightingale joined the Board in 2006 and was Managing Director of the Company from 2006 to March 2012. He is also a director of Dairy Farm, Jardine Cycle & Carriage, Jardine Matheson, Jardine Strategic, Mandarin Oriental and Schindler, and a commissioner of Astra. Mr Nightingale also acts as an adviser for certain companies outside the Group and holds a number of senior public appointments, including acting as a non-official member of the Commission on Strategic Development, a Hong Kong representative to the Asia Pacific Economic Cooperation (APEC) Business Advisory Council and a member of the UK ASEAN Business Council Advisory Panel. He is an Honorary Professor of the School of Business of the Hong Kong Baptist University.

Lord Powell of Bayswater, KCMG

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

Lord Sassoon, Kt

Lord Sassoon joined the Board in January 2013. He began his career at KPMG, before joining SG Warburg (later UBS Warburg) in 1985. From 2002 to 2006 he was in the Treasury in the United Kingdom as a civil servant, where he had responsibility for financial services and enterprise policy. Following this, he chaired the Financial Action Task Force; and conducted a review of the UK's system of financial regulation. From 2010 to 2013 Lord Sassoon was the first Commercial Secretary to the Treasury and acted as the Government's Front Bench Treasury spokesman in the House of Lords. He is a director of Dairy Farm, Jardine Matheson and Mandarin Oriental.

James Watkins

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

Percy Weatherall

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

Michael Wei Kuo Wu

Mr Wu joined the Board in December 2012. He is chairman and managing director of Maxim's Caterers in Hong Kong. He is also a non-executive director of Hang Seng Bank, a council member of the Hong Kong University of Science and Technology and a member of the court of the University of Hong Kong.

Consolidated Profit and Loss Account

for the year ended 31st December 2012

	Note	2012 Underlying business performance US$m	2012 Non-trading items US$m	2012 Total US$m	2011 Underlying business performance US$m	2011 Non-trading items US$m	2011 Total US$m
Revenue	5	**1,114.8**	**–**	**1,114.8**	1,223.7	–	1,223.7
Net operating costs	6	**(314.5)**	**–**	**(314.5)**	(392.0)	–	(392.0)
		800.3	**–**	**800.3**	831.7	–	831.7
Change in fair value of investment properties	11	**–**	**306.4**	**306.4**	–	4,382.7	4,382.7
Asset disposals	11	**–**	**1.6**	**1.6**	–	–	–
Operating profit		**800.3**	**308.0**	**1,108.3**	831.7	4,382.7	5,214.4
Net financing charges	7						
– financing charges		**(98.8)**	**–**	**(98.8)**	(99.7)	–	(99.7)
– financing income		**37.9**	**–**	**37.9**	33.2	–	33.2
		(60.9)	**–**	**(60.9)**	(66.5)	–	(66.5)
Share of results of associates and joint ventures	8						
– before change in fair value of investment properties		**165.8**	**(0.1)**	**165.7**	76.3	(17.0)	59.3
– change in fair value of investment properties	11	**–**	**360.8**	**360.8**	–	238.7	238.7
		165.8	**360.7**	**526.5**	76.3	221.7	298.0
Profit before tax		**905.2**	**668.7**	**1,573.9**	841.5	4,604.4	5,445.9
Tax	9	**(124.4)**	**0.6**	**(123.8)**	(133.6)	(0.9)	(134.5)
Profit after tax		**780.8**	**669.3**	**1,450.1**	707.9	4,603.5	5,311.4
Attributable to:							
Shareholders of the Company		**777.0**	**661.5**	**1,438.5**	703.4	4,603.0	5,306.4
Non-controlling interests		**3.8**	**7.8**	**11.6**	4.5	0.5	5.0
		780.8	**669.3**	**1,450.1**	707.9	4,603.5	5,311.4

	Note	US¢		US¢	US¢		US¢
Earnings per share	10						
– basic		**33.14**		**61.36**	30.29		228.48
– diluted		**33.14**		**61.36**	30.22		227.13

Consolidated Statement of Comprehensive Income

for the year ended 31st December 2012

	Note	2012 US$m	2011 US$m
Profit for the year		**1,450.1**	5,311.4
Revaluation of other investments	*14*	**33.9**	(10.7)
Net actuarial loss on employee benefit plans		**(1.1)**	(4.6)
Net exchange translation differences		**146.1**	36.9
Cash flow hedges			
– net gain/(loss) arising during the year		**7.6**	(1.2)
– transfer to profit and loss		**4.0**	5.8
		11.6	4.6
Share of other comprehensive income of associates and joint ventures		**97.1**	2.8
Tax relating to components of other comprehensive income	*9*	**(2.0)**	(0.2)
Other comprehensive income for the year		**285.6**	28.8
Total comprehensive income for the year		**1,735.7**	5,340.2
Attributable to:			
Shareholders of the Company		**1,723.7**	5,335.2
Non-controlling interests		**12.0**	5.0
		1,735.7	5,340.2

Consolidated Balance Sheet

at 31st December 2012

	Note	2012 US$m	2011 US$m
Net operating assets			
Tangible assets		**5.6**	5.3
Investment properties	*12*	**23,493.7**	22,529.9
Associates and joint ventures	*13*	**4,270.4**	3,551.8
Other investments	*14*	**82.6**	48.6
Non-current debtors	*18*	**68.4**	72.0
Deferred tax assets	*15*	**5.2**	5.5
Pension assets	*16*	**5.5**	6.4
Non-current assets		**27,931.4**	26,219.5
Properties for sale	*17*	**2,513.4**	1,521.2
Current debtors	*18*	**351.0**	313.5
Current tax assets		**7.1**	1.5
Bank balances	*19*	**982.1**	967.9
Current assets		**3,853.6**	2,804.1
Current creditors	*20*	**(1,142.6)**	(746.3)
Current borrowings	*21*	**(364.5)**	(58.0)
Current tax liabilities		**(59.8)**	(82.5)
Current liabilities		**(1,566.9)**	(886.8)
Net current assets		**2,286.7**	1,917.3
Long-term borrowings	*21*	**(3,891.0)**	(3,269.2)
Deferred tax liabilities	*15*	**(66.4)**	(59.4)
Non-current creditors	*20*	**(76.3)**	(44.4)
		26,184.4	24,763.8
Total equity			
Share capital	*22*	**235.3**	233.8
Revenue and other reserves		**25,912.4**	24,504.7
Shareholders' funds		**26,147.7**	24,738.5
Non-controlling interests		**36.7**	25.3
		26,184.4	24,763.8

Approved by the Board of Directors on 7th March 2013

Ben Keswick
Y.K. Pang
Directors

Consolidated Statement of Changes in Equity

for the year ended 31st December 2012

									Attributable	
		Attributable to shareholders of the Company							to non-	
		Share capital	Share premium	Revenue reserves	Capital reserves	Hedging reserves	Exchange reserves	Total	controlling interests	Total equity
	Note	US$m	US$m	US$m	US$m	US$m	US$m	US$m	US$m	US$m
2012										
At 1st January		**233.8**	**315.8**	**23,881.1**	**1.5**	**(13.7)**	**320.0**	**24,738.5**	**25.3**	**24,763.8**
Total comprehensive income		**–**	**–**	**1,471.5**	**–**	**7.8**	**244.4**	**1,723.7**	**12.0**	**1,735.7**
Dividends paid by the Company	*23*	**–**	**–**	**(375.1)**	**–**	**–**	**–**	**(375.1)**	**–**	**(375.1)**
Dividends paid to non-controlling shareholders		**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(0.6)**	**(0.6)**
Unclaimed dividends forfeited		**–**	**–**	**4.9**	**–**	**–**	**–**	**4.9**	**–**	**4.9**
Issue of shares		**1.5**	**54.2**	**–**	**–**	**–**	**–**	**55.7**	**–**	**55.7**
Transfer		**–**	**–**	**1.5**	**(1.5)**	**–**	**–**	**–**	**–**	**–**
At 31st December		**235.3**	**370.0**	**24,983.9**	**–**	**(5.9)**	**564.4**	**26,147.7**	**36.7**	**26,184.4**
2011										
At 1st January		225.1	5.3	18,900.7	62.5	(16.2)	279.2	19,456.6	20.9	19,477.5
Total comprehensive income		–	–	5,291.9	–	2.5	40.8	5,335.2	5.0	5,340.2
Dividends paid by the Company	*23*	–	–	(372.5)	–	–	–	(372.5)	–	(372.5)
Dividends paid to non-controlling shareholders		–	–	–	–	–	–	–	(0.6)	(0.6)
Issue of shares		8.7	310.5	–	–	–	–	319.2	–	319.2
Transfer		–	–	61.0	(61.0)	–	–	–	–	–
At 31st December		233.8	315.8	23,881.1	1.5	(13.7)	320.0	24,738.5	25.3	24,763.8

The comprehensive income included in revenue reserves comprises profit attributable to shareholders of US$1,438.5 million (2011: US$5,306.4 million), fair value gain on other investments of US$33.9 million (2011: loss of US$10.7 million) and net actuarial loss on employee benefit plans of US$0.9 million (2011: US$3.8 million). Cumulative fair value gain on other investments and net actuarial loss on employee benefit plans amounted to US$42.7 million (2011: US$8.8 million) and US$3.9 million (2011: US$3.0 million), respectively.

Consolidated Cash Flow Statement

for the year ended 31st December 2012

	Note	2012 US$m	2011 US$m
Operating activities			
Operating profit		**1,108.3**	5,214.4
Depreciation	*6*	**2.1**	1.7
Reversal of writedowns on properties for sale	*6*	**(7.5)**	(44.2)
Change in fair value of investment properties		**(306.4)**	(4,382.7)
Asset disposals		**(1.6)**	–
Increase in properties for sale	*24*	**(907.6)**	(298.8)
Decrease/(increase) in debtors		**72.7**	(70.7)
Increase in creditors		**380.7**	33.2
Interest received		**37.4**	35.8
Interest and other financing charges paid		**(71.7)**	(93.0)
Tax paid		**(147.4)**	(117.4)
Dividends from associates and joint ventures		**139.7**	58.0
Cash flows from operating activities		**298.7**	336.3
Investing activities			
Major renovations expenditure		**(47.8)**	(50.8)
Developments capital expenditure	*24*	**(515.0)**	(38.3)
Investments in and loans to associates and joint ventures		**(179.0)**	(146.2)
Deposit for a joint venture		**(112.1)**	–
Disposal of an investment property		**8.3**	–
Cash flows from investing activities		**(845.6)**	(235.3)
Financing activities			
Drawdown of borrowings		**1,550.1**	1,068.1
Repayment of borrowings		**(635.9)**	(1,193.4)
Contribution from/(repayment to) non-controlling shareholders		**22.1**	(6.1)
Dividends paid by the Company		**(374.3)**	(370.9)
Dividends paid to non-controlling shareholders		**(0.6)**	(0.6)
Cash flows from financing activities		**561.4**	(502.9)
Effect of exchange rate changes		**(0.2)**	2.9
Net increase/(decrease) in cash and cash equivalents		**14.3**	(399.0)
Cash and cash equivalents at 1st January		**966.7**	1,365.7
Cash and cash equivalents at 31st December	*24*	**981.0**	966.7

Notes to the Financial Statements

1 Principal Accounting Policies

Basis of preparation

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

Amendments to IFRS 7 'Financial Instruments: Transfers of Financial Assets' became effective in current accounting period and are relevant to the Group's operations. The amendments promote transparency in the reporting of such transfer transactions and improve users' understanding of the risk exposures relating to transfer of financial assets and the effect of those risks on an entity's financial position particularly those involving securitisation of financial assets. The adoption of these amendments does not have a material impact on the Group's accounting policies and disclosures.

The following standards and amendments which are effective after 2012, are relevant to the Group's operations and yet to be adopted

IFRS 9	Financial Instruments
IFRS 10	Consolidated Financial Statements
IFRS 11	Joint Arrangements
IFRS 12	Disclosure of Interests in Other Entities
IFRS 13	Fair value Measurement
Amendments to IFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities
Amendments to IFRSs 10, 11 and 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance
Amendments to IAS 1	Presentation of Items of Other Comprehensive Income
IAS 19 (amended 2011)	Employee Benefits
IAS 27 (2011)	Separate Financial Statements
IAS 28 (2011)	Investments in Associates and Joint Ventures
Amendments to IAS 32	Offsetting Financial Assets and Financial Liabilities
Annual Improvements to IFRS	2009 – 2011 Cycle

The Group is currently assessing the impact of these new standards and amendments but expects their adoption will not have a material effect on the consolidated profit and loss account and balance sheet.

IFRS 9 'Financial Instruments' (effective from 1st January 2015) is the first standard issued as part of a wider project to replace IAS 39. IFRS 9 (2009) retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortised cost and fair value. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. The guidance in IAS 39 on impairment of financial assets and hedge accounting continues to apply. IFRS 9 (2010) adds the requirements related to the classification and measurement of financial liabilities, and derecognition of financial assets and liabilities, to the version issued in November 2009. It also includes those paragraphs of IAS 39 dealing with how to measure fair value and accounting for derivatives embedded in a contract that contains a host that is not a financial asset, as well as the requirements of IFRIC 9 'Remeasurement of Embedded Derivatives'. The Group will apply the standard from 1st January 2015.

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

IFRS 11 'Joint Arrangements' replaces IAS 31 'Interests in Joint Ventures' and SIC 13 'Jointly Controlled Entities – Non Monetary Contributions by Venturers'. Under IFRS 11, joint arrangements are classified as either joint operations (whereby the parties that have joint control have rights to the assets and obligations for the liabilities of the joint arrangements) or joint ventures (whereby the parties that have joint control have rights to the net assets of the joint arrangements). Joint operations are accounted for by showing the party's interest in the assets, liabilities, revenue and expenses, and/or its relative share of jointly controlled assets, liabilities, revenue and expenses, if any. Accounting for joint ventures is now covered by IAS 28 (2011) as proportionate consolidation is no longer permitted. The Group will apply the standard from 1st January 2013.

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

1 Principal Accounting Policies continued

Basis of preparation continued

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

Amendments to IFRS 7 'Disclosures – Offsetting Financial Assets and Financial Liabilities' focus on disclosures of quantitative information about recognised financial instruments that are offset in the balance sheet, as well as those recognised financial instruments that are subject to master netting or similar arrangements irrespective of whether they are offset. The Group will adopt the amendments from 1st January 2013.

Amendments to IFRSs 10, 11 and 12 on transition guidance provide additional transition relief to IFRSs 10, 11 and 12, limiting the requirement to provide adjusted comparative information to only the preceding comparative period. For disclosures related to unconsolidated structured entities, the amendments will remove the requirement to present comparative information for periods before IFRS 12 is first applied. The Group will adopt the amendments from 1st January 2013.

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

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

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

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

Amendments to IAS 32 'Offsetting Financial Assets and Financial Liabilities' (effective 1st January 2014) are made to the application guidance in IAS 32 and clarify some of the requirements for offsetting financial assets and financial liabilities on the balance sheet. The Group will adopt the amendments from 1st January 2014.

Annual improvements to IFRSs 2009 – 2011 Cycle comprise a number of non-urgent but necessary amendments to IFRSs. The amendments which are relevant to the Group's operations include the following:

Amendment to IAS 1 'Presentation of Financial Statements' clarifies the disclosure requirements for comparative information when an entity provides a third balance sheet either as required by IAS 8, 'Accounting policies, changes in accounting estimates and errors'; or voluntarily. When an entity produces an additional balance sheet as required by IAS 8, the balance sheet should be as at the date of the beginning of the preceding period – that is, the opening position. No notes are required to support this balance sheet. When management provides additional comparative information voluntarily – for example, profit and loss account, balance sheet – it should present the supporting notes to these additional statements. The Group will adopt the amendment from 1st January 2013.

1 Principal Accounting Policies continued

Basis of preparation continued

Amendment to IAS 16 'Property, Plant and Equipment' clarifies that spare parts and servicing equipment are classified as property, plant and equipment rather than inventory when they meet the definition of property, plant and equipment. The previous wording of IAS 16 indicated that servicing equipment should be classified as inventory, even if it was used for more than one period. Following the amendment, this equipment used for more than one period is classified as property, plant and equipment. The Group will adopt the amendment from 1st January 2013.

Amendment to IAS 32 'Financial Instruments: Presentation' clarifies that income tax related to profit distributions is recognised in the profit and loss account, and income tax related to the costs of equity transactions is recognised in equity. Prior to the amendment, IAS 32 was ambiguous as to whether the tax effects of distributions and the tax effects of equity transactions should be accounted for in the profit and loss account or in equity. The Group will adopt the amendment from 1st January 2013.

Amendment to IAS 34 'Interim Financial Reporting' clarifies the disclosure requirements for segment assets and liabilities in interim financial statements. A measure of total assets and liabilities is required for an operating segment in interim financial statements if such information is regularly provided to the chief operating decision makers and there has been a material change in those measures since the last annual financial statements. The Group will adopt the amendment from 1st January 2013.

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 the Group's interests in associates and joint ventures.

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

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

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.

   Profits and losses resulting from upstream and downstream transactions between the Group and its associates are recognised in the consolidated financial statements only to the extent of unrelated investor's interests in the associates.

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

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

1 Principal Accounting Policies continued

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, such exchange differences are recognised in profit and loss. Exchange differences on available-for-sale investments are recognised in other comprehensive income as part of the gains and losses arising from changes in their fair value. Exchange differences relating to changes in the amortised cost of monetary securities classified as available-for-sale and all other exchange differences are recognised in profit and loss.

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

Impairment of non-financial assets

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. Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment annually.

Intangible assets

Goodwill represents the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the acquisition-date fair value of any previously held equity interest in the acquiree over the acquisition-date fair value of the Group's share of the net identifiable assets acquired. Non-controlling interests are measured at their proportionate share of the net identifiable assets at the acquisition date. If the cost of acquisition is less than the fair value of the net assets acquired, the difference is recognised directly in profit and loss. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisitions of associates and joint ventures is included in investment in associates and joint ventures. Goodwill is allocated to cash-generating units or groups of cash-generating units for the purpose of impairment testing and is carried at cost less accumulated impairment loss.

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

Tangible fixed assets and depreciation

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

Furniture, equipment and motor vehicles	3 – 10 years

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

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

1 Principal Accounting Policies continued

Investment properties

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

Investments

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

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

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

Leases

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

Payments made under operating leases (net of any incentives received from the lessor) are charged to profit and loss on a straight line basis over the period of the lease. When a lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the year in which termination takes place.

Properties for sale

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

Debtors

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

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

Cash and cash equivalents

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

1 Principal Accounting Policies continued

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.

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 as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the balance sheet date.

Current and deferred tax

The tax expense for the year comprises current and deferred tax. Tax is recognised in profit and loss, except to the extent that it relates to items recognised in other comprehensive income or direct in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Group operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

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

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

Pension obligations

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

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

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

Non-current assets held for sale

Non-current assets are classified as assets held for sale and stated at the lower of carrying amount and fair value less costs to sell if their carrying amount is recovered principally through a sale transaction rather than through continuing use. Once classified as held for sale, the assets are no longer amortised or depreciated.

1 Principal Accounting Policies continued

Derivative financial instruments

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

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

Changes in the fair value of derivatives that are designated and qualify as cash flow hedges and that are highly effective, are recognised in other comprehensive income and accumulated in equity under hedging reserves. Changes in the fair value relating to the ineffective portion is recognised immediately in profit and loss. 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 other comprehensive income and accumulated 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.

Non-trading items

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

Earnings per share

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

Dividends

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

1 Principal Accounting Policies continued

Revenue recognition

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

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

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

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

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

v) Interest income is recognised on a time proportion basis taking into account the principal amounts outstanding and the interest rates applicable.

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 direction of the Board of Hongkong Land Limited, financial risk management policies and their implementation on a group-wide basis. The Group's treasury policies are designed to manage the financial impact of fluctuations in interest rates and foreign exchange rates and to minimise the Group's financial risks. The Group uses derivative financial instruments, principally interest rate swaps, cross-currency swaps and forward foreign exchange contracts as appropriate for hedging transactions and managing the Group's assets and liabilities in accordance with the Group's financial risk management policies. Financial derivative contracts are executed between third party banks and the Group entity that is directly exposed to the risk being hedged. Certain derivative transactions, while providing effective economic hedges under the Group's risk management policies, do not qualify for hedge accounting under the specific rules in IAS 39. Changes in the fair value of any derivative instruments that do not qualify for hedge accounting under IAS 39 are recognised immediately in profit and loss account. It is the Group's policy not to enter into derivative transactions for speculative purposes. The notional amounts and fair values of derivative financial instruments at 31st December 2012 are disclosed in Note 25.

i) Market risk

Foreign exchange risk

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

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

Currency risks as defined by IFRS 7 arise on account of monetary assets and liabilities being denominated in a currency that is not the functional currency. At 31st December 2012, there are no significant monetary balances held by group companies that are denominated in a non-functional currency. Differences resulting from the translation of financial statements into the Group's presentation currency are not taken into consideration.

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

2 Financial Risk Management continued

Financial risk factors continued

i) Market risk continued

Interest rate risk

The Group is exposed to interest rate risk through the impact of rate changes on interest bearing liabilities and assets. These exposures are managed by using natural hedges that arise from offsetting interest rate sensitive assets and liabilities by fixed rate borrowings, and through the use of derivative financial instruments such as interest rate swaps. The Group monitors interest rate exposure on a monthly basis by currency and business unit, taking into consideration proposed financing and hedging arrangements. The Group's guideline is to maintain 40% to 60% of its gross borrowings in fixed rate instruments. At 31st December 2012, the Group's interest rate hedge was 53% (2011: 52%) with an average tenor of nine years (2011: nine 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 generally up to five years or longer to match the maturity of the underlying exposure. 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, to maintain the Group's fixed rate instruments to within the Group's guideline.

At 31st December 2012, 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$8 million (2011: US$5 million) higher/lower, and hedging reserve would have been US$83 million (2011: US$54 million) higher/lower as a result of fair value changes to cash flow hedges. The sensitivity analysis has been determined assuming that the change in interest rates had occurred at the balance sheet date and had been applied to the exposure to interest rate risk for both derivative and non-derivative financial instruments in existence at that date. The 100 basis point increase or decrease represents management's assessment of a reasonably possible change in those interest rates which have the most impact on the Group, specifically the United States, Hong Kong and Singapore rates, over the period until the next annual balance sheet date. In the case of effective fair value hedges, changes in fair value of the hedged item caused by interest rate movements balance out in profit and loss account against changes in the fair value of the hedging instruments. Changes in market interest rates affect the interest income or expense of non-derivative variable-interest financial instruments, the interest payments of which are not designated as hedged items of cash flow hedges against interest rate risks. As a consequence, they are included in the calculation of profit after tax sensitivities. Changes in the market interest rate of financial instruments that were designated as hedging instruments in a cash flow hedge to hedge payment fluctuations resulting from interest rate movements affect the hedging reserves and are therefore taken into consideration in the equity-related sensitivity calculations.

Price risk

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

Available-for-sale investments are unhedged. At 31st December 2012, if the price of listed and unlisted available-for-sale investments had been 25% higher/lower with all other variables held constant, total equity would have been US$21 million (2011: US$12 million) higher/lower. The sensitivity analysis has been determined based on a reasonable expectation of possible valuation volatility over the next twelve months.

2 Financial Risk Management continued

Financial risk factors continued

ii) Credit risk

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

The Group manages its deposits with banks and financial institutions and transactions involving derivative financial instruments by monitoring credit ratings and capital adequacy ratios of counterparties, and limiting the aggregate risk to any individual counterparty. The utilisation of credit limits is regularly monitored. At 31st December 2012, 95% (2011: 90%) of deposits and balances with banks and financial institutions were made to institutions with credit ratings of no less than A3 and 5% (2011: 10%) with credit rating at Baa3 (Moody's). Similarly transactions involving derivative financial instruments are with banks with sound credit ratings and capital adequacy ratios. In developing countries it may be necessary to deposit money with banks that have a lower credit rating, however the Group only enters into derivative transactions with counterparties which have credit ratings of at least investment grade. Management does not expect any counterparty to fail to meet its obligations.

In respect of credit exposures to customers, the Group has policies in place to ensure that investment properties are let principally to corporate companies with appropriate credit history, and 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, the Group undertakes legal proceedings to recover the property. Amounts due from associates and joint ventures are generally supported by the underlying assets.

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

iii) Liquidity risk

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

At 31st December 2012, total committed and uncommitted borrowing facilities amounted to US$6,909 million (2011: US$5,459 million) of which US$4,255 million (2011: US$3,327 million) was drawn down. Undrawn committed facilities, in the form of revolving credit and term loan facilities, totalled US$2,496 million (2011: US$1,934 million).

2 Financial Risk Management continued

Financial risk factors continued

iii) Liquidity risk continued

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

	Within one year US$m	Between one and two years US$m	Between two and three years US$m	Between three and four years US$m	Between four and five years US$m	Beyond five years US$m	Total undiscounted cash flow US$m
At 31st December 2012							
Borrowings	**507.8**	**841.5**	**416.3**	**631.9**	**135.4**	**2,845.1**	**5,378.0**
Creditors	**328.2**	**59.7**	**41.4**	**16.3**	**14.7**	**51.9**	**512.2**
Net settled derivative financial instruments	**3.6**	**1.5**	**–**	**–**	**–**	**–**	**5.1**
Gross settled derivative financial instruments							
– inflow	**80.8**	**562.3**	**53.2**	**53.2**	**53.2**	**1,553.1**	**2,355.8**
– outflow	**(50.4)**	**(549.7)**	**(44.8)**	**(44.8)**	**(44.8)**	**(1,526.5)**	**(2,261.0)**
At 31st December 2011							
Borrowings	166.5	784.9	610.2	358.9	365.6	1,846.8	4,132.9
Creditors	307.2	38.6	49.2	20.4	10.6	20.7	446.7
Net settled derivative financial instruments	5.7	3.5	1.5	–	–	–	10.7
Gross settled derivative financial instruments							
– inflow	60.5	60.5	542.0	33.0	33.0	1,001.7	1,730.7
– outflow	(29.3)	(29.3)	(527.5)	(23.8)	(23.8)	(936.2)	(1,569.9)

Capital management

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

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

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

The ratios at 31st December 2011 and 2012 are as follows:

	2012	2011
Gearing ratio (%)	**13**	10
Interest cover (times)	**11**	10

2 Financial Risk Management continued

Fair value estimation

i) Financial instruments that are measured at fair value

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

a) *Quoted prices (unadjusted) in active markets for identical assets or liabilities ('quoted prices in active markets')*
The fair value of listed securities, which are classified as available-for-sale, is based on quoted prices in active markets at the balance sheet date. The quoted market price used for listed investments held by the Group is the current bid price.

b) *Inputs other than quoted prices in active markets that are observable for the asset or liability, either directly or indirectly ('observable current market transactions')*
The fair values of all interest rate swaps and forward foreign exchange contracts have been determined using rates quoted by the Group's bankers at the balance sheet date which are calculated by reference to market interest rates and foreign exchange rates.

c) *Inputs for the asset or liability that are not based on observable market data ('unobservable inputs')*
The fair value of unlisted securities, which are classified as available-for-sale, is determined using valuation techniques by reference to observable current market transactions or the market prices of the underlying investments with certain degree of entity specific estimates.

The table below analyses financial instruments carried at fair value, by the levels in the fair value measurement hierarchy.

	Quoted prices in active markets US$m	Observable current market transactions US$m	Unobservable inputs US$m	Total US$m
2012				
Assets				
Available-for-sale financial assets				
– listed securities	**80.5**	**–**	**–**	**80.5**
– unlisted securities	**–**	**–**	**2.1**	**2.1**
	80.5	**–**	**2.1**	**82.6**
Derivative financial instruments	**–**	**50.8**	**–**	**50.8**
	80.5	**50.8**	**2.1**	**133.4**
Liabilities				
Derivative financial instruments	**–**	**(24.5)**	**–**	**(24.5)**
2011				
Assets				
Available-for-sale financial assets				
– listed securities	46.5	–	–	46.5
– unlisted securities	–	–	2.1	2.1
	46.5	–	2.1	48.6
Derivative financial instruments	–	70.0	–	70.0
	46.5	70.0	2.1	118.6
Liabilities				
Derivative financial instruments	–	(22.0)	–	(22.0)

2 Financial Risk Management continued

Fair value estimation continued

ii) Financial instruments that are not measured at fair value

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

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

Financial instruments by category

	Loans and receivables US$m	Derivatives US$m	Available-for-sale US$m	Other financial liabilities at amortised cost US$m	Total carrying amount US$m	Fair value US$m
2012						
Other investments	**–**	**–**	**82.6**	**–**	**82.6**	**82.6**
Debtors	**125.7**	**50.8**	**–**	**–**	**176.5**	**176.5**
Bank balances	**982.1**	**–**	**–**	**–**	**982.1**	**982.1**
	1,107.8	**50.8**	**82.6**	**–**	**1,241.2**	**1,241.2**
Borrowings	**–**	**–**	**–**	**(4,255.5)**	**(4,255.5)**	**(4,334.0)**
Creditors excluding non-financial liabilities	**–**	**(24.5)**	**–**	**(512.2)**	**(536.7)**	**(536.7)**
	–	**(24.5)**	**–**	**(4,767.7)**	**(4,792.2)**	**(4,870.7)**
2011						
Other investments	–	–	48.6	–	48.6	48.6
Debtors	137.1	70.0	–	–	207.1	207.1
Bank balances	967.9	–	–	–	967.9	967.9
	1,105.0	70.0	48.6	–	1,223.6	1,223.6
Borrowings	–	–	–	(3,327.2)	(3,327.2)	(3,359.1)
Creditors excluding non-financial liabilities	–	(22.0)	–	(446.7)	(468.7)	(468.7)
	–	(22.0)	–	(3,773.9)	(3,795.9)	(3,827.8)

3 Critical Accounting Estimates and Judgements

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

Acquisition of subsidiaries, associates and joint ventures

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

Investment properties

The fair values of investment properties are determined by independent valuers on an open market for existing use basis calculated on the discounted net income allowing for reversionary potential. Capitalisation rates in the range of 3.50% to 4.45% for office (2011: 3.75% to 4.85%) and 4.50% to 5.75% for retail (2011: 4.50% to 5.75%) are used in the fair value determination.

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

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

3 Critical Accounting Estimates and Judgements continued

Income taxes

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

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

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

Pension obligations

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

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

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

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

Non-trading items

The Group uses underlying business performance in its internal financial reporting to distinguish between the underlying profits and non-trading items. The identification of non-trading items requires judgement by management, but follows the consistent methodology as set out in the Group's accounting policies.

4 Segmental Information

Operating segments are identified on the basis of internal reports about components of the Group that are regularly reviewed by the executive Directors of the Company for the purpose of resource allocation and performance assessment. The Group has two operating segments, namely Commercial property and Residential property. No operating segments have been aggregated to form the reportable segments. Set out below is an analysis of the Group's underlying profit, net debt and total equity by reportable segment. Certain comparative figures have been reclassified to align with the latest basis of internal reports.

	2012				2011			
	Commercial property US$m	**Residential property US$m**	**Corporate US$m**	**Total US$m**	Commercial property US$m	Residential property US$m	Corporate US$m	Total US$m
Revenue	**855.9**	**258.9**	**–**	**1,114.8**	804.2	419.5	–	1,223.7
Net operating costs	**(136.0)**	**(118.7)**	**(59.8)**	**(314.5)**	(131.1)	(210.4)	(50.5)	(392.0)
Share of operating profit of associates and joint ventures	**100.5**	**160.3**	**–**	**260.8**	85.0	79.6	–	164.6
Underlying operating profit	**820.4**	**300.5**	**(59.8)**	**1,061.1**	758.1	288.7	(50.5)	996.3
Net financing charges								
– subsidiaries				**(60.9)**				(66.5)
– share of associates and joint ventures				**(35.3)**				(30.4)
				(96.2)				(96.9)
Tax								
– subsidiaries				**(124.4)**				(133.6)
– share of associates and joint ventures				**(58.8)**				(56.5)
				(183.2)				(190.1)
Non–controlling interests								
– subsidiaries				**(3.8)**				(4.5)
– share of associates and joint ventures				**(0.9)**				(1.4)
				(4.7)				(5.9)
Underlying profit attributable to shareholders				**777.0**				703.4
Non–trading items:								
– change in fair value of investment properties				**660.0**				4,620.0
– asset disposals/ (impairment provisions)				**1.5**				(17.0)
				661.5				4,603.0
Profit attributable to shareholders				**1,438.5**				5,306.4

4 Segmental Information continued

	Revenue		Underlying operating profit		Underlying profit attributable to shareholders	
	2012 US$m	2011 US$m	**2012 US$m**	2011 US$m	**2012 US$m**	2011 US$m
By geographical location						
Greater China	**999.7**	937.6	**885.6**	825.1	**879.8**	817.7
Southeast Asia and others	**115.1**	286.1	**235.3**	221.7	**233.7**	220.2
Corporate, net financing charges and tax	**–**	–	**(59.8)**	(50.5)	**(336.5)**	(334.5)
	1,114.8	1,223.7	**1,061.1**	996.3	**777.0**	703.4

	Segment assets					
	Investment properties US$m	Properties for sale US$m	Others US$m	Segment liabilities US$m	Unallocated assets and liabilities US$m	Total assets and liabilities US$m
By business						
2012						
Commercial property	**26,946.4**	**–**	**436.8**	**(530.4)**	**–**	**26,852.8**
Residential property	**288.0**	**3,681.7**	**372.8**	**(1,432.4)**	**–**	**2,910.1**
Unallocated assets and liabilities	**–**	**–**	**–**	**–**	**(3,578.5)**	**(3,578.5)**
	27,234.4	**3,681.7**	**809.6**	**(1,962.8)**	**(3,578.5)**	**26,184.4**
2011						
Commercial property	25,473.0	–	299.9	(450.7)	–	25,322.2
Residential property	281.9	2,527.7	259.5	(958.5)	–	2,110.6
Unallocated assets and liabilities	–	–	–	–	(2,669.0)	(2,669.0)
	25,754.9	2,527.7	559.4	(1,409.2)	(2,669.0)	24,763.8
By geographical location						
2012						
Greater China	**23,285.0**	**2,147.5**	**555.0**	**(986.5)**	**–**	**25,001.0**
Southeast Asia and others	**3,949.4**	**1,534.2**	**254.6**	**(976.3)**	**–**	**4,761.9**
Unallocated assets and liabilities	**–**	**–**	**–**	**–**	**(3,578.5)**	**(3,578.5)**
	27,234.4	**3,681.7**	**809.6**	**(1,962.8)**	**(3,578.5)**	**26,184.4**
2011						
Greater China	22,274.2	1,358.1	413.6	(698.2)	–	23,347.7
Southeast Asia and others	3,480.7	1,169.6	145.8	(711.0)	–	4,085.1
Unallocated assets and liabilities	–	–	–	–	(2,669.0)	(2,669.0)
	25,754.9	2,527.7	559.4	(1,409.2)	(2,669.0)	24,763.8

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

5 Revenue

	2012 US$m	2011 US$m
Rental income	**745.5**	700.3
Service income	**117.2**	110.9
Sales of properties	**252.1**	412.5
	1,114.8	1,223.7

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

Total contingent rents included in rental income amounted to US$12.9 million (2011: US$12.5 million).

	2012 US$m	2011 US$m
The future minimum rental payments receivable under non-cancellable leases are as follows:		
Within one year	**701.0**	633.4
Between one and two years	**503.8**	481.5
Between two and five years	**410.5**	479.1
Beyond five years	**59.4**	79.1
	1,674.7	1,673.1

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

6 Net Operating Costs

	2012 US$m	2011 US$m
Cost of sales	**(234.6)**	(320.2)
Other income	**4.9**	4.0
Administrative expenses	**(84.8)**	(75.8)
	(314.5)	(392.0)

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

	2012 US$m	2011 US$m
Cost of properties for sale recognised as expense	**(102.0)**	(229.3)
Operating expenses arising from investment properties	**(140.1)**	(135.1)
Reversal of writedowns on properties for sale	**7.5**	44.2
Depreciation of tangible assets	**(2.1)**	(1.7)
Staff costs		
– salaries and benefits in kind	**(85.5)**	(68.7)
– defined contribution pension plan	**(2.8)**	(2.6)
– defined benefit pension plan (see Note 16)	**(0.1)**	0.1
	(88.4)	(71.2)
Auditors' remuneration		
– audit	**(1.3)**	(1.1)
– non-audit services	**(0.2)**	(0.2)
	(1.5)	(1.3)

The number of employees at 31st December 2012 was 1,347 (2011: 1,257).

7 Net Financing Charges

	2012 US$m	2011 US$m
Interest expenses		
– bank loans and overdrafts	(16.3)	(13.7)
– other borrowings	(84.6)	(69.0)
Total interest expenses	(100.9)	(82.7)
Interest capitalised	11.8	0.3
	(89.1)	(82.4)
Commitment and other fees	(9.7)	(17.3)
Financing charges	(98.8)	(99.7)
Financing income	37.9	33.2
	(60.9)	(66.5)

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

8 Share of Results of Associates and Joint Ventures

	2012 US$m	2011 US$m
By business		
Commercial property	58.2	46.5
Residential property	107.6	29.8
Underlying business performance	165.8	76.3
Non-trading items:		
Change in fair value of investment properties (net of deferred tax)		
– Commercial property	357.7	235.8
– Residential property	3.1	2.9
	360.8	238.7
Asset impairment provisions, reversals and disposals	(0.1)	(17.0)
	360.7	221.7
	526.5	298.0

The share of revenue of associates and joint ventures was US$683.5 million (2011: US$386.0 million).

9 Tax

Tax charged to profit and loss is analysed as follows:

	2012 US$m	2011 US$m
Current tax	**(118.4)**	(128.6)
Deferred tax		
– changes in fair value of investment properties	**0.6**	(0.9)
– other temporary differences	**(6.0)**	(5.0)
	(5.4)	(5.9)
	(123.8)	(134.5)

Reconciliation between tax expense and tax at applicable tax rate:

	2012 US$m	2011 US$m
Tax at applicable tax rate	**(174.2)**	(851.5)
Change in fair value of investment properties not taxable in determining taxable profit	**51.6**	722.2
Expenses not deductible in determining taxable profit	**(10.4)**	(8.5)
Income not subject to tax	**13.5**	17.0
Utilisation of previously unrecognised tax losses	**–**	0.3
Over/(under)provision in prior years	**3.3**	(3.1)
Losses not recognised	**(2.2)**	(0.8)
Deferred tax assets written off	**–**	(1.2)
Deferred tax liabilities written back	**–**	0.3
Withholding tax	**(0.7)**	(5.9)
Land appreciation tax in mainland China	**(4.7)**	(3.3)
	(123.8)	(134.5)

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

	2012 US$m	2011 US$m
Actuarial valuation of employee benefit plans	**0.2**	0.8
Cash flow hedges	**(2.2)**	(1.0)
	(2.0)	(0.2)

The applicable tax rate for the year of 16.4% (2011: 16.5%) 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 was caused by a change in the geographic mix of the Group's profits.

The Group has no tax payable in the United Kingdom (2011: Nil).

Share of tax charge of associates and joint ventures of US$89.8 million (2011: US$61.8 million) is included in share of results of associates and joint ventures.

10 Earnings per Share

Basic earnings per share is calculated on profit attributable to shareholders of US$1,438.5 million (2011: US$5,306.4 million) and on the weighted average number of 2,344.5 million (2011: 2,322.5 million) shares in issue during the year.

In 2011, diluted earnings per share was calculated on profit attributable to shareholders of US$5,309.5 million, which was after adjusting for the effects of the conversion of convertible bonds, and on the weighted average number of 2,337.6 million shares in issue during the year. The weighted average number of shares for basic and diluted earnings per share is reconciled as follows:

	Ordinary shares in millions	
	2012	2011
Weighted average number of shares in issue	**2,344.5**	2,322.5
Adjustment for shares to be issued on conversion of convertible bonds	**–**	15.1
Weighted average number of shares for diluted earnings per share calculation	**2,344.5**	2,337.6

Earnings per share is additionally calculated based on underlying profit attributable to shareholders. A reconciliation of earnings is set out below:

	2012			2011		
	US$m	**Basic earnings per share US¢**	**Diluted earnings per share US¢**	US$m	Basic earnings per share US¢	Diluted earnings per share US¢
Underlying profit attributable to shareholders	**777.0**	**33.14**	**33.14**	703.4	30.29	30.22
Non-trading items (see Note 11)	**661.5**			4,603.0		
Profit attributable to shareholders	**1,438.5**	**61.36**		5,306.4	228.48	
Interest expense on convertible bonds (net of tax)	**–**			3.1		
Profit for calculation of diluted earnings per share	**1,438.5**		**61.36**	5,309.5		227.13

11 Non-trading Items

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

	2012	2011
	US$m	US$m
Change in fair value of investment properties	**306.4**	4,382.7
Deferred tax on change in fair value of investment properties	**0.6**	(0.9)
Share of change in fair value of investment properties of associates and joint ventures (net of deferred tax)	**360.8**	238.7
Asset disposals	**1.6**	–
Share of asset disposals/impairment provisions of associates and joint ventures	**(0.1)**	(17.0)
Non-controlling interests	**(7.8)**	(0.5)
	661.5	4,603.0

12 Investment Properties

	Freehold properties US$m	Leasehold properties US$m	Total US$m
2012			
At 1st January	**51.0**	**22,478.9**	**22,529.9**
Exchange differences	**0.5**	**98.8**	**99.3**
Additions	**2.4**	**562.3**	**564.7**
Disposals	**–**	**(6.6)**	**(6.6)**
Net increase in fair value	**1.6**	**304.8**	**306.4**
At 31st December	**55.5**	**23,438.2**	**23,493.7**
2011			
At 1st January	13.0	18,023.0	18,036.0
Exchange differences	(0.4)	28.5	28.1
Additions	33.5	49.6	83.1
Net increase in fair value	4.9	4,377.8	4,382.7
At 31st December	51.0	22,478.9	22,529.9

The fair value of the Group's investment properties at 31st December 2012 has been determined on the basis of valuations carried out by independent valuers not related to the Group. The Group employed Jones Lang LaSalle to value its commercial investment properties in Hong Kong, Singapore, Vietnam and Cambodia which are either freehold or held under leases with unexpired lease terms of more than 20 years. The valuations, which conform to the International Valuation Standards issued by the International Valuation Standards Committee and the HKIS Valuation Standards on Properties issued by the Hong Kong Institute of Surveyors, were arrived at by reference to the net income, allowing for reversionary potential, of each property. The Report of the Valuers is set out on page 73.

13 Associates and Joint Ventures

	2012 US$m	2011 US$m
By business		
Commercial property	**3,232.9**	2,687.3
Residential property	**1,037.5**	864.5
Share of attributable net assets	**4,270.4**	3,551.8
Movements of associates and joint ventures for the year:		
At 1st January	**3,551.8**	3,177.7
Exchange differences	**58.3**	(14.2)
Share of results after tax and non-controlling interests	**526.5**	298.0
Share of other comprehensive income after tax and non-controlling interests	**97.1**	2.8
Dividends received and receivable	**(142.9)**	(56.3)
Net acquisitions and increases in attributable interests	**179.0**	146.2
Others	**0.6**	(2.4)
At 31st December	**4,270.4**	3,551.8
The Group's share of assets, liabilities, capital commitments and contingent liabilities of associates and joint ventures is summarised below:		
Non-current assets	**3,895.7**	3,306.2
Current assets	**2,028.0**	1,547.1
Current liabilities	**(795.4)**	(592.5)
Non-current liabilities	**(698.9)**	(660.6)
Non-controlling interests	**(159.0)**	(48.4)
	4,270.4	3,551.8
Capital commitments	**0.7**	55.6
Contingent liabilities	**49.2**	64.8

14 Other Investments

	2012 US$m	2011 US$m
Listed securities	**80.5**	46.5
Unlisted securities	**2.1**	2.1
	82.6	48.6
Movements for the year:		
At 1st January	**48.6**	59.2
Exchange differences	**0.1**	0.1
Revaluation surplus/(deficit)	**33.9**	(10.7)
At 31st December	**82.6**	48.6
The fair value measurements of available-for-sale financial assets are based on the following data:		
Quoted prices in active markets	**80.5**	46.5
Unobservable inputs	**2.1**	2.1
	82.6	48.6

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
2012					
At 1st January	**1.4**	**(50.5)**	**(1.9)**	**(2.9)**	**(53.9)**
Exchange differences	**–**	**(0.1)**	**–**	**0.2**	**0.1**
(Charged)/credited to profit and loss	**(1.3)**	**(3.7)**	**0.6**	**(1.0)**	**(5.4)**
Charged to other comprehensive income	**–**	**–**	**–**	**(2.0)**	**(2.0)**
At 31st December	**0.1**	**(54.3)**	**(1.3)**	**(5.7)**	**(61.2)**
Deferred tax assets	**0.1**	**–**	**–**	**5.1**	**5.2**
Deferred tax liabilities	**–**	**(54.3)**	**(1.3)**	**(10.8)**	**(66.4)**
	0.1	**(54.3)**	**(1.3)**	**(5.7)**	**(61.2)**

15 Deferred Tax Assets and Liabilities continued

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

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$3.7 million (2011: US$1.3 million) arising from unused tax losses of US$18.4 million (2011: US$8.6 million) have not been recognised in the financial statements. Included in the unused tax losses, US$2.7 million (2011: US$5.0 million) have no expiry date and the balance would expire at various dates up to and including 2017 (2011: 2015).

16 Pension Plans

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

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

	2012 Weighted average %	2011 Weighted average %
Discount rate applied to pension obligations	**3.40**	4.50
Expected return on plan assets	**7.50**	7.50
Future salary increases	**5.00**	5.00

The expected return on plan assets is determined on the basis of long-term average returns on global equities of 5.2% to 13.1% (2011: 3.8% to 11.4%) per annum and global bonds of 2.0% to 2.7% (2011: 2.8% to 4.4%) per annum, and the long-term benchmark allocation of assets between equities and bonds in the plan.

16 Pension Plans continued

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

	2012 US$m	2011 US$m
Fair value of plan assets	**33.0**	30.3
Present value of pension obligations	**(27.5)**	(23.9)
	5.5	6.4

Movements in the fair value of plan assets:

	2012 US$m	2011 US$m
At 1st January	**30.3**	33.8
Exchange differences	**0.1**	0.1
Expected return on plan assets	**2.2**	2.5
Contributions from employers and plan members	**0.3**	0.3
Benefits paid	**(1.4)**	(2.0)
Actuarial gain/(loss)	**1.4**	(4.3)
Transfer from/(to) other plans	**0.1**	(0.1)
At 31st December	**33.0**	30.3

Movements in the present value of pension obligations:

	2012 US$m	2011 US$m
At 1st January	**23.9**	23.2
Exchange differences	**0.1**	0.1
Current service cost	**1.3**	1.3
Interest cost	**1.0**	1.1
Benefits paid	**(1.4)**	(2.0)
Actuarial loss	**2.5**	0.3
Transfer from/(to) other plans	**0.1**	(0.1)
At 31st December	**27.5**	23.9

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

	2012 US$m	2011 US$m
Equity instruments	**16.8**	14.6
Debt instruments	**9.7**	9.4
Other assets	**6.5**	6.3
	33.0	30.3

The estimated amount of contributions expected to be paid to the plans in 2013 is US$0.3 million.

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

	2012 US$m	2011 US$m
Current service cost	**1.3**	1.3
Interest cost	**1.0**	1.1
Expected return on plan assets	**(2.2)**	(2.5)
Expense/(income) recognised	**0.1**	(0.1)
Actual return/(loss) on plan assets in the year	**3.6**	(1.8)

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

16 Pension Plans continued

The five year history of experience adjustments is as follows:

	2012 US$m	2011 US$m	2010 US$m	2009 US$m	2008 US$m
Fair value of plan assets	**33.0**	30.3	33.8	31.4	25.1
Present value of pension obligations	**(27.5)**	(23.9)	(23.2)	(21.4)	(19.0)
Surplus	**5.5**	6.4	10.6	10.0	6.1
Experience adjustments on plan assets	**1.4**	(4.3)	0.6	4.3	(14.5)
Percentage of plan assets (%)	**4**	14	2	14	58
Experience adjustments on pension obligations	**(0.5)**	0.1	0.1	1.2	–
Percentage of pension obligations (%)	**2**	–	–	6	–

17 Properties for Sale

	2012 US$m	2011 US$m
Properties under development		
– land and development costs	**2,489.0**	1,459.8
– interest and other expenses capitalised	**40.6**	26.7
	2,529.6	1,486.5
Provision for impairment	**(113.0)**	(112.0)
	2,416.6	1,374.5
Completed properties	**96.8**	146.7
	2,513.4	1,521.2

At 31st December 2012, properties under development which were not scheduled for completion within the next twelve months amounted to US$1,773.5 million (2011: US$1,346.7 million).

At 31st December 2012, properties for sale of US$314.7 million (2011: Nil) were pledged as security for borrowings of US$157.1 million (2011: Nil) as shown in Note 21.

18 Debtors

	2012 US$m	2011 US$m
Trade debtors	**33.5**	22.6
Other debtors		
– third parties	**347.0**	278.0
– associates and joint ventures	**38.9**	84.9
	419.4	385.5
Non-current	**68.4**	72.0
Current	**351.0**	313.5
	419.4	385.5

18 Debtors continued

	2012 US$m	2011 US$m
By geographical area of operation		
Greater China	**323.2**	271.7
Southeast Asia and others	**96.2**	113.8
	419.4	385.5

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

At 31st December 2012, no trade debtors (2011: Nil) were impaired and fully provided.

At 31st December 2012, trade debtors of US$8.0 million (2011: US$4.2 million) were past due but not impaired. The ageing analysis of these trade debtors is as follows:

	2012 US$m	2011 US$m
Below 30 days	**6.9**	3.8
Between 31 and 60 days	**0.2**	0.4
Between 61 and 90 days	**0.1**	–
Over 90 days	**0.8**	–
	8.0	4.2

The risk of trade debtors that are neither past due nor impaired at 31st December 2012 becoming impaired is low as most of the balances have been settled subsequent to the year end.

Other debtors are further analysed as follows:

	2012 US$m	2011 US$m
Prepayments	**242.9**	178.4
Derivative financial instruments	**50.8**	70.0
Amounts due from associates and joint ventures	**38.9**	84.9
Others	**53.3**	29.6
	385.9	362.9

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

19 Bank Balances

	2012 US$m	2011 US$m
Deposits with banks and financial institutions	**809.7**	911.0
Bank balances	**172.4**	56.9
	982.1	967.9

Deposits and bank balances of certain subsidiaries amounting to US$98.8 million (2011: US$92.9 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 deposits with banks and financial institutions is 0.6% (2011: 0.6%) per annum.

20 Creditors

	2012 US$m	2011 US$m
Trade creditors	**251.9**	222.8
Tenants' deposits	**178.4**	165.3
Other creditors	**81.9**	58.6
Derivative financial instruments	**24.5**	22.0
Financial liabilities	**536.7**	468.7
Rent received in advance	**9.8**	6.9
Proceeds from property for sale received in advance	**672.4**	315.1
	1,218.9	790.7
Non-current	**76.3**	44.4
Current	**1,142.6**	746.3
	1,218.9	790.7
By geographical area of operation		
Greater China	**572.7**	375.2
Southeast Asia and others	**646.2**	415.5
	1,218.9	790.7

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

21 Borrowings

	2012 Carrying amount US$m	2012 Fair value US$m	2011 Carrying amount US$m	2011 Fair value US$m
Current				
Bank overdrafts	**1.1**	**1.1**	1.2	1.2
Current portion of long-term borrowings				
– bank loans	**363.4**	**363.4**	0.3	0.3
– bonds and notes	**–**	**–**	56.5	53.3
	364.5	**364.5**	58.0	54.8
Long-term				
Bank loans	**844.1**	**844.1**	1,062.7	1,062.7
Bonds and notes	**3,046.9**	**3,125.4**	2,206.5	2,241.6
	3,891.0	**3,969.5**	3,269.2	3,304.3
	4,255.5	**4,334.0**	3,327.2	3,359.1
Secured	**157.1**		–	
Unsecured	**4,098.4**		3,327.2	
	4,255.5		3,327.2	

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 2.3% (2011: 0.6% to 2.1%) per annum. The fair values of current borrowings approximate their carrying amounts, as the impact of discounting is not significant.

Secured borrowings at 31st December 2012 were certain subsidiaries' bank borrowings which were secured against its properties for sale.

21 Borrowings continued

The borrowings are further summarised as follows:

		Fixed rate borrowings			
	Weighted average interest rates %	Weighted average period outstanding Years	US$m	Floating rate borrowings US$m	Total US$m
By currency					
2012					
Hong Kong dollar	**3.0**	**11.3**	**1,655.1**	**1,309.7**	**2,964.8**
Singapore dollar	**2.4**	**4.0**	**603.3**	**687.1**	**1,290.4**
United States dollar	**5.3**	**–**	**–**	**0.3**	**0.3**
			2,258.4	**1,997.1**	**4,255.5**
2011					
Hong Kong dollar	2.3	11.1	1,050.4	1,236.0	2,286.4
Singapore dollar	2.6	4.7	609.8	374.0	983.8
United States dollar	5.5	1.0	56.5	0.5	57.0
			1,716.7	1,610.5	3,327.2

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

The exposure of the Group's borrowings to interest rate changes and the contractual repricing dates at 31st December after taking into account hedging transactions are as follows:

	2012 US$m	2011 US$m
Within one year	**2,170.7**	1,785.6
Between one and two years	**106.7**	168.4
Between two and three years	**308.1**	105.5
Between three and four years	**–**	290.3
Between four and five years	**–**	–
Beyond five years	**1,670.0**	977.4
	4,255.5	3,327.2

21 Borrowings continued

Details of the bonds and notes outstanding at 31st December are as below:

	Maturity	2012 Current US$m	2012 Non-current US$m	2011 Current US$m	2011 Non-current US$m
Convertible bonds at 2.75%	2012	**–**	**–**	56.5	–
US$500m 10-year notes at 5.50%*	2014	**–**	**527.7**	–	544.8
S$375m 10-year notes at 3.65%*	2015	**–**	**308.1**	–	290.3
Medium term notes					
S$50m 8-year notes at 3.86%	2017	**–**	**44.6**	–	41.0
HK$200m 10-year notes at 4.135%	2019	**–**	**25.6**	–	25.6
HK$300m 10-year notes at 4.1875%	2019	**–**	**38.7**	–	38.6
HK$300m 10-year notes at 4.25%	2019	**–**	**38.7**	–	38.6
HK$500m 10-year notes at 4.22%	2020	**–**	**72.6**	–	69.6
HK$500m 10-year notes at 4.24%	2020	**–**	**64.3**	–	64.1
S$150m 10-year notes at 3.43%	2020	**–**	**122.2**	–	114.9
HK$500m 10-year notes at 3.95%	2020	**–**	**64.2**	–	64.1
HK$500m 12-year notes at 4.28%	2021	**–**	**74.5**	–	71.6
HK$410m 10-year notes at 3.86%	2022	**–**	**52.4**	–	–
US$500m 10-year notes at 4.50%*	2022	**–**	**497.2**	–	–
HK$305m 10-year notes at 3.00%	2022	**–**	**39.0**	–	–
HK$200m 10-year notes at 2.90%	2022	**–**	**25.6**	–	–
HK$300m 15-year notes at 4.10%	2025	**–**	**38.5**	–	38.4
US$600m 15-year notes at 4.50%*	2025	**–**	**618.5**	–	606.2
HK$302m 15-year notes at 3.75%	2026	**–**	**38.5**	–	38.4
HK$785m 15-year notes at 4.00%	2027	**–**	**99.2**	–	–
HK$473m 15-year notes at 4.04%	2027	**–**	**60.8**	–	–
HK$200m 15-year notes at 3.95%	2027	**–**	**25.7**	–	–
HK$800m 20-year notes at 4.11%	2030	**–**	**103.2**	–	103.0
HK$200m 20-year notes at 4.125%	2031	**–**	**25.4**	–	25.3
HK$240m 20-year partly paid notes at 4.00% †	2032	**–**	**9.6**	–	–
HK$250m 30-year notes at 5.25%	2040	**–**	**32.1**	–	32.0
		–	**3,046.9**	56.5	2,206.5

During the year, the nominal amount of the medium term note programme increased from US$3,000 million to US$5,000 million.

* Listed on the Singapore Exchange.

† The first instalment of HK$80 million of the HK$240 million partly paid notes was issued in 2012. The second and final instalments of HK$80 million each will be issued in 2013 and 2014 respectively.

22 Share Capital

	Ordinary shares in millions 2012	Ordinary shares in millions 2011	2012 US$m	2011 US$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	**2,338.1**	2,250.8	**233.8**	225.1
Issued on conversion of convertible bonds	**14.7**	87.3	**1.5**	8.7
At 31st December	**2,352.8**	2,338.1	**235.3**	233.8

23 Dividends

	2012 US$m	2011 US$m
Final dividend in respect of 2011 of US¢10.00 (2010: US¢10.00) per share	**234.2**	232.3
Interim dividend in respect of 2012 of US¢6.00 (2011: US¢6.00) per share	**140.9**	140.2
	375.1	372.5

A final dividend in respect of 2012 of US¢11.00 (2011: US¢10.00) per share amounting to a total of US$258.8 million (2011: US$234.2 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 2013.

24 Notes to Consolidated Cash Flow Statement

a) Increase in properties for sale
In 2012, the cash flow included payments for property sites in mainland China and Singapore, which amounted to US$489.0 million and US$302.0 million respectively.

b) Developments capital expenditure
In 2012, the cash flow included US$497.6 million for property developments in mainland China.

c) Cash and cash equivalents

	2012 US$m	2011 US$m
Bank balances	**982.1**	967.9
Bank overdrafts (see Note 21)	**(1.1)**	(1.2)
	981.0	966.7

25 Derivative Financial Instruments

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

	2012 Positive fair value US$m	2012 Negative fair value US$m	2011 Positive fair value US$m	2011 Negative fair value US$m
Designated as cash flow hedges				
– interest rate swaps	**–**	**5.1**	–	9.5
– cross currency swaps	**6.9**	**18.2**	0.2	12.5
Designated as fair value hedges				
– interest rate swaps	**13.7**	**–**	9.8	–
– cross currency swaps	**30.2**	**1.2**	60.0	–

25 Derivative Financial Instruments continued

Interest rate swaps

The notional principal amounts of the outstanding interest rate swap contracts at 31st December 2012 were US$384.8 million (2011: US$483.4 million).

At 31st December 2012, the fixed interest rates relating to interest rate swaps vary from 1.84% to 4.28% (2011: 1.84% to 4.28%).

The fair values of interest rate swaps are based on the estimated cash flows discounted at market rates ranging from 0.31% to 1.26% (2011: 0.38% to 1.86%) per annum.

Cross currency swaps

The contract amounts of the outstanding cross currency swap contracts at 31st December 2012 were US$1,761.8 million (2011: US$1,252.2 million).

26 Commitments

	2012 US$m	2011 US$m
Capital commitments		
Authorised not contracted	**499.0**	475.6
Contracted not provided	**67.1**	415.5
	566.1	891.1
Contribution to associates and joint ventures	**272.1**	480.2
Operating lease commitments		
Due within one year	**2.1**	1.6
Due between one and two years	**1.9**	0.8
Due between two and three years	**0.2**	0.6
	4.2	3.0

27 Contingent Liabilities

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

28 Related Party Transactions

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

In the normal course of business, the Group has entered into a variety of transactions with the subsidiaries, associates and joint ventures of JMH ('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 ('JML') in 2012 was US$3.9 million (2011: US$3.5 million), being 0.5% per annum of the Group's underlying profit in consideration for management consultancy services provided by JML, a wholly-owned subsidiary of JMH.

28 Related Party Transactions continued

Property and other services

The Group rented properties to Jardine Matheson group members. Gross rents on such properties in 2012 amounted to US$21.4 million (2011: US$20.6 million).

Jardine Matheson group members provided property construction, maintenance and other services to the Group in 2012 in aggregate amounting to US$34.7 million (2011: US$30.0 million).

The outstanding balances arising from the above services at 31st December 2012 are not material.

Hotel management services

Jardine Matheson group members provided hotel management services to the Group in 2012 amounted to US$2.7 million (2011: US$1.9 million).

The outstanding balances arising from the above services at 31st December 2012 are not material.

Outstanding balances with associates and joint ventures

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

Directors' emoluments

Details of Directors' emoluments (being the key management personnel compensation) are shown on page 67 under the heading of 'Directors' Appointment, Retirement, Remuneration and Service Contracts'.

29 Summarised Balance Sheet of the Company

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

	2012 US$m	2011 US$m
Net operating assets		
Investments at cost		
Unlisted shares in subsidiaries	**4,481.7**	4,481.7
Net amounts due from subsidiaries	**684.6**	499.2
	5,166.3	4,980.9
Creditors and other accruals	**(15.8)**	(21.1)
	5,150.5	4,959.8
Total equity		
Share capital (see Note 22)	**235.3**	233.8
Revenue and other reserves		
Contributed surplus	**2,249.6**	2,249.6
Share premium	**386.9**	331.9
Revenue reserves	**2,278.7**	2,144.5
	4,915.2	4,726.0
Shareholders' funds	**5,150.5**	4,959.8

Subsidiaries are shown at cost less amounts provided.

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

30 Principal Subsidiaries, Associates and Joint Ventures

The principal subsidiaries, associates and joint ventures of the Group at 31st December 2012 are set out below.

	Attributable interests 2012 %	2011 %	Issued share capital		Main activities	Country/Place of incorporation
Subsidiaries						
Hongkong Land China Holdings Ltd*	**100**	100	USD	200,000,000	Investment holding	Bermuda
Hongkong Land International Holdings Ltd*	**100**	100	USD	200,000,000	Investment holding	Bermuda
Hongkong Land Ltd*	**100**	100	USD	12,000	Group management	Bermuda
HK Glory Properties Ltd	**100**	100	USD	2	Property development	British Virgin Islands
HKL (Chater House) Ltd	**100**	100	HKD	1,500,000	Property investment	Hong Kong
HKL (Landmark Hotel) Ltd	**100**	100	HKD	2	Hotel investment	Hong Kong
HKL (Prince's Building) Ltd	**100**	100	HKD	200	Property investment	Hong Kong
Hongkong Land (Chongqing North) Development Co Ltd	**100**	100	HKD	3,980,000,000	Property development	Mainland China
Hongkong Land (Chongqing) Development Co Ltd	**100**	100	USD	479,990,000	Property development	Mainland China
The Hongkong Land Company, Ltd	**100**	100	HKD	1,293,180,006	Property investment	Hong Kong
The Hongkong Land Property Company, Ltd	**100**	100	HKD	200	Property investment	Hong Kong
King Kok Investment Ltd	**90**	90	USD	10,000	Property investment	Mauritius
Mulberry Land Company Ltd	**100**	100	HKD	200	Property investment	Hong Kong
Starsome Investments Ltd	**100**	100	USD	2	Investment holding	British Virgin Islands
Wangfu Central Real Estate Development Co Ltd	**95**	95	RMB	3,188,507,800	Property development	Mainland China
Central Building Ltd	**71**	71	USD	1,991,547	Property investment	Vietnam
Doan Ket International Co Ltd	**73.9**	73.9	USD	7,291,500	Property investment	Vietnam
HKL (Esplanade) Pte Ltd	**100**	100	SGD	150,000,000	Property investment	Singapore
HKL Treasury (Singapore) Pte Ltd	**100**	100	SGD	2	Finance	Singapore
The Hongkong Land Finance (Cayman Islands) Company Ltd	**100**	100	USD	2	Finance	Cayman Islands

* Owned directly

	Attributable interests 2012 %	2011 %	Issued share capital		Main activities	Country/Place of incorporation
Subsidiaries continued						
The Hongkong Land Notes Company Ltd	**100**	100	USD	2	Finance	British Virgin Islands
Hongkong Land (Singapore) Pte Ltd	**100**	100	SGD	100,000	Property management	Singapore
The Hongkong Land Treasury Services (Singapore) Pte Ltd	**100**	100	SGD	2	Finance	Singapore
Caseldine Investments Pte Ltd	**100**	100	SGD	1,000,000	Property development	Singapore
Kedron Investments Pte Ltd	**100**	100	SGD	1,000,000	Property development	Singapore
MCL Land Holdings Pte Ltd	**100**	100	SGD	6,000,000	Property investment	Singapore
MCL Land Development Pte Ltd	**100**	100	SGD	1,000,000	Property development	Singapore
MCL Land (Gateway) Pte Ltd	**100**	–	SGD	1	Property development	Singapore
MCL Land (Pantai View) Sdn Bhd	**100**	100	MYR	2,000,000	Property investment	Malaysia
MCL Land (Pasir Ris) Pte Ltd	**100**	100	SGD	1,000,000	Property development	Singapore
MCL Land (Prime) Pte Ltd	**100**	100	SGD	1,000,000	Property development	Singapore
MCL Land (Serangoon) Pte Ltd	**100**	100	SGD	1,000,000	Property development	Singapore
MCL Land (Warren) Pte Ltd	**100**	100	SGD	1,000,000	Property development	Singapore
Maxgrowth Pte Ltd	**100**	100	SGD	1,000,000	Property development	Singapore
Beijing Yee Zhi Real Estate Consultancy Co Ltd	**100**	100	USD	1,000,000	Property consultancy	Mainland China
Hongkong Land (Beijing) Management Co Ltd	**100**	100	USD	150,000	Property management	Mainland China
Hongkong Land (Chongqing) Management Co Ltd	**100**	100	USD	5,150,000	Property investment, development and management	Mainland China
Hongkong Land (One Central) Retail Property Management Ltd	**100**	100	MOP	25,000	Management and administration services	Macau
Hongkong Land (Property Management) Ltd	**100**	100	HKD	20	Property management	Hong Kong
PT Hongkong Land Consultancy and Management	**100**	–	IDR	300	Consultancy and management	Indonesia

30 Principal Subsidiaries, Associates and Joint Ventures continued

	Attributable interests 2012 %	2011 %	Issued share capital		Main activities	Country/Place of incorporation
Associates and joint ventures						
Beijing Premium Real Estate Ltd	**40**	40	USD	12,000,000	Property development	Mainland China
Chengdu Premium Property Development Co Ltd	**50**	50	USD	699,980,000	Property development	Mainland China
China West Premier Housing Development Co Ltd	**50**	50	USD	569,960,000	Property development	Mainland China
Longhu Land Ltd	**50**	50	USD	27,000,000	Property development	Mainland China
Normelle Estates Ltd	**50**	50	HKD	10,000	Property investment	Hong Kong
Properties Sub F, Ltd	**46.6**	46.6	MOP	1,000,000	Property investment	Macau
Ampang Investments Pte Ltd	**40**	40	SGD	10	Hotel investment	Singapore
BFC Development LLP	**33.3**	33.3	SGD	6	Property development	Singapore
Calne Pte Ltd	**50**	50	SGD	1,000,000	Property development	Singapore
Central Boulevard Development Pte Ltd	**33.3**	33.3	SGD	600	Property investment	Singapore
Gaysorn Land Company Ltd	**49**	49	THB	61,250,000	Property investments and operations	Thailand
Golden Quantum Acres Sdn Bhd	**50**	50	MYR	2,764,210	Property development	Malaysia
Grange Development Pte Ltd	**53.5**	53.5	SGD	1,000,000	Property development	Singapore
Jardine Gibbons Properties Ltd	**40**	40	BD	600,000 'A' 400,000 'B'	Property holding	Bermuda
MSL Properties Sdn Bhd	**50**	50	MYR	3,000,000	Property development	Malaysia
NorthPine Land Inc	**40**	40	Peso	1,224,635,200	Property investment	The Philippines
One Raffles Quay Pte Ltd	**33.3**	33.3	SGD	6	Property development	Singapore
PT Bumi Parama Wisesa	**49**	–	IDR	10,000	Property investment	Indonesia
PT Jakarta Land	**50**	50	IDR	3,320,000,000	Property development and asset management	Indonesia
Sunrise MCL Land Sdn Bhd	**50**	50	MYR	2,000,000	Property development	Malaysia

Independent Auditors' Report

To the members of Hongkong Land Holdings Limited

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Hongkong Land Holdings Limited (the 'Company') and its subsidiaries (together the 'Group') which comprise the Consolidated Balance Sheet as at 31st December 2012 and the Consolidated Profit and Loss Account, Consolidated Statement of Comprehensive Income, Consolidated Statement of Changes in Equity and Consolidated Cash Flow Statement for the year then ended and a summary of significant accounting policies and other explanatory notes.

Directors' Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31st December 2012, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and with the requirements of the Bermuda Companies Act.

Report on Legal and Regulatory Requirements

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

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

Other Matters

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

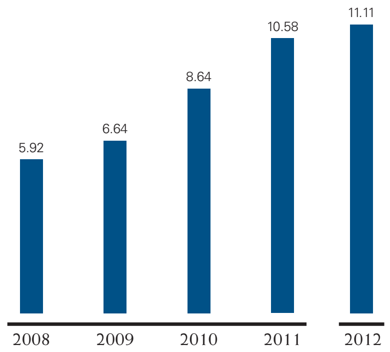
PricewaterhouseCoopers LLP
Chartered Accountants
London
United Kingdom
7th March 2013

Five Year Summary

	2008 US$m	2009 US$m	2010 US$m	2011 US$m	**2012 US$m**
Profit/(loss) attributable to shareholders	(337)	1,813	4,739	5,306	**1,439**
Underlying profit attributable to shareholders	375	777	810	703	**777**
Investment properties	13,703	14,818	18,036	22,530	**23,494**
Net debt	2,601	2,417	2,358	2,359	**3,273**
Shareholders' funds	13,308	14,936	19,457	24,739	**26,148**

	US$	US$	US$	US$	**US$**
Net asset value per share	5.92	6.64	8.64	10.58	**11.11**

Underlying earnings/dividends per share (US¢)



Net asset value per share (US$)

Responsibility Statement

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

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

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

For and on behalf of the Board

Y.K. Pang
John R. Witt
Directors
7th March 2013

Corporate Governance

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

The Management of the Group

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

The Board

The Company currently has a Board of 17 Directors: the Chief Executive and Chief Financial Officer; seven executives of Jardine Matheson; and eight non-executive Directors. Their names and brief biographies appear on pages 18 and 19 of this Report. The Chairman has been appointed in accordance with the provisions of the Bye-laws of the Company, which provide that the chairman of Jardine Matheson, or any Director nominated by him, shall be the Chairman of the Company. The composition and operation of the Board reflect the Company's commitment to its long-term strategy, shareholding structure and tiered approach to oversight and management as described in this Report. These factors explain the balance on the Board between executive and non-executive Directors, the stability of the Board, the absence of nomination and remuneration committees and the conduct of Board evaluation procedures. The Board regards Asian business experience and relationships as more valuable attributes of its non-executive Directors than formal independence criteria. Accordingly the Board has not designated a 'senior independent director' as set out in the UK Code. Recommendations and decisions on remuneration result from consultations between the Chairman and the Managing Director as well as other Directors as they consider appropriate.

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

The Board is scheduled to hold four meetings in 2013 and ad hoc procedures are adopted to deal with urgent matters. In 2012 one meeting was held in Bermuda and three were held in Asia. All current Directors who held office in 2012 attended all four Board meetings, save that John R. Witt attended three meetings and Jenkin Hui and Lord Powell of Bayswater attended two meetings. Ben Keswick and Adam Keswick, who were appointed in April 2012, attended all three Board meetings held following their appointments to the Board, and Michael Wu attended the one meeting following his appointment. The Board receives high quality, up to date information for each of its meetings, which has previously been considered and approved at meetings of the board of HKL. This information is also the subject of a strategy review in a cycle of meetings (in Bermuda or Asia, as appropriate) prior to consideration by the Board itself.

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

Directors’ Appointment, Retirement, Remuneration and Service Contracts

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

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

On 1st April 2012, Ben Keswick succeeded Anthony Nightingale as Managing Director of the Company and the latter remains as a non-executive Director. Adam Keswick was appointed as a Director with effect from 1st April 2012. Michael Wu was appointed as a Director on 6th December 2012 and Lord Sassoon was appointed as a Director with effect from 23rd January 2013. In accordance with Bye-law 85, Lord Leach of Fairford, Dr Richard Lee, Y.K. Pang and John R. Witt retire by rotation at the Annual General Meeting and, being eligible, offer themselves for re-election. In accordance with Bye-law 92, Lord Sassoon and Michael Wu 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.

Simon Keswick is to step down as Chairman of the Company on 15th May 2013 and will continue thereafter as a non-executive Director. He will be succeeded as Chairman by Ben Keswick, who will retain his position as Managing Director.

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

Directors’ fees, which are payable to all Directors other than the Chief Executive and the Chief Financial Officer, are decided upon by shareholders in general meeting as provided for by the Company’s Bye-laws. A motion to increase the Directors’ fees to US$50,000 each per annum and the fees for the Chairman and Managing Director to US$75,000 each per annum with effect from 1st January 2013 will be proposed at the forthcoming Annual General Meeting.

For the year ended 31st December 2012, the Directors received US$5.7 million (2011: US$5.2 million) in Directors’ fees and employee benefits, being US$0.6 million (2011: US$0.6 million) in Directors’ fees, US$5.0 million (2011: US$4.5 million) in short-term employee benefits including salary, bonuses, accommodation and deemed benefits in kind and US$0.1 million (2011: 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 as well as other Directors as they consider appropriate.

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

Directors’ Responsibilities in respect of the Financial Statements

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

Going Concern

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

Code of Conduct

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

Risk Management and Internal Control

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

The principal risks and uncertainties facing the Company are set out on page 70.

The Board has delegated to the audit committee of HKL responsibility for reviewing areas of risk and uncertainty, the operation and effectiveness of the Group's system of internal control and the procedures by which these are monitored. The audit committee considers the system and procedures on a regular basis, and reports to the Board semi-annually. The members of the audit committee of HKL are Ben Keswick, Mark Greenberg, Adam Keswick, James Riley and Giles White; they have extensive knowledge of the Group while at the same time not being directly involved in operational management. Ben Keswick and Adam Keswick became members of the HKL audit committee following their appointments to the Board on 1st April 2012, and Ben Keswick succeeded Anthony Nightingale as chairman of the audit committee on that date. Ben Keswick will step down from the audit committee on 15th May 2013, upon his appointment as Chairman of the Company becoming effective, and will be succeeded as chairman of the audit committee by Adam Keswick. The Board considers that the members of the audit committee of HKL have, collectively, the requisite skills, knowledge and experience to enable it to discharge its responsibilities in a proper manner. The two audit committee meetings held during the year were attended by all the then current members. The chief executive and chief financial officer of HKL, together with representatives of the internal and external auditors, also attend the audit committee meetings by invitation.

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

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

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

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

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

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

Directors' Share Interests

The Directors of the Company in office on 25th March 2013 had interests (within the meaning of the Disclosure and Transparency Rules ('DTRs') of the Financial Services Authority (the 'FSA') of the United Kingdom) as set out below in the ordinary share capital of the Company. These interests include those notified to the Company in respect of the Directors' connected persons (as that term is used in the DTRs in relation to companies incorporated outside the United Kingdom).

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

Substantial Shareholders

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

The Company has been informed of the holding of voting rights of 5% or more attaching to the Company's issued ordinary share capital by Jardine Strategic Holdings Limited ('Jardine Strategic'), which is directly interested in 1,176,616,646 ordinary shares carrying 50.01% 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 25th March 2013.

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

Relations with Shareholders

The 2013 Annual General Meeting will be held at The Fairmont Southampton, Bermuda on 15th May 2013. The full text of the resolutions and explanatory notes in respect of the meeting are contained in the Notice of Meeting which accompanies this Report. All shareholders are invited to attend the Annual General Meeting and participate in communicating with the Company. The Company holds regular meetings with institutional shareholders. A corporate website is maintained containing a wide range of information of interest to investors at www.hkland.com.

Securities Purchase Arrangements

At the Annual General Meeting held on 9th May 2012, shareholders renewed the approval of a general mandate authorising the Directors to effect purchases by the Company or its subsidiaries of the Company's own ordinary shares of less than 15% in aggregate of its issued share capital.

Related Party Transactions

Details of transactions with related parties entered into by the Company during the course of the year are included in Note 28 to the financial statements on pages 58 and 59. There were no transactions entered into by the Company during the course of the year to which the related party transaction rules of the FSA in the United Kingdom apply.

Principal Risks and Uncertainties

The Board has overall responsibility for risk management and internal control. The process by which the Group identifies and manages risk is set out in more detail on page 68 of the Corporate Governance section of this Report. The following are the principal risks and uncertainties facing the Company as required to be disclosed pursuant to the Disclosure and Transparency Rules issued by the Financial Services Authority in the United Kingdom and are in addition to the matters referred to in the Chairman's Statement and Chief Executive's Review.

Economic Risk

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

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

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

Commercial Risk and Financial Risk

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

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

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

The steps taken by the Group to manage its exposure to financial risk are set out in the Financial Review on page 15 and Note 2 to the financial statements on pages 32 to 37.

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

2012 full-year results announced	7th March 2013
Share registers closed	25th to 29th March 2013
Annual General Meeting to be held	15th May 2013
2012 final dividend payable	22nd May 2013
2013 half-year results to be announced	1st August 2013 *
Share registers to be closed	26th to 30th August 2013 *
2013 interim dividend payable	16th October 2013 *

* 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 2012 final dividend by notifying the United Kingdom transfer agent in writing by 26th April 2013. The sterling equivalent of dividends declared in United States dollars will be calculated by reference to a rate prevailing on 8th May 2013. 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
112 Robinson Road #05-01
Singapore 068902

United Kingdom Transfer Agent
Capita Registrars
The Registry
34 Beckenham Road
Beckenham, Kent BR3 4TU
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Press releases and other financial information can be accessed through the internet at www.hkland.com.

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Joe Kwok

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Report of the Valuers

To Hongkong Land Holdings Limited

Dear Sirs

Revaluation of Commercial Investment Properties Held under Freehold and Leasehold

Further to your instructions, we have valued in our capacity as external valuers the commercial investment properties held under freehold and leasehold as described in Note 12 to the consolidated financial statements of Hongkong Land Holdings Limited. We are of the opinion that the market value of the commercial investment properties held under freehold in Cambodia and leasehold in Hong Kong, Singapore and Vietnam as at 31st December 2012, totalled US$22,844,000,000 (United States Dollars Twenty Two Billion Eight Hundred and Forty Four Million).

Our valuations were prepared in accordance with the International Valuation Standards by the International Valuation Standards Council and The HKIS Valuation Standards 2012 Edition by The Hong Kong Institute of Surveyors.

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

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

Yours faithfully

Jones Lang LaSalle Limited
Hong Kong, 7th March 2013

Major Property Portfolio

at 31st December 2012

Commercial Investment Property

	Attributable interests %	Lettable area (100%) Total	Office	Retail
		(in thousands of square metres)		
Hong Kong				
Alexandra House	100	35	30	5
Chater House	100	43	39	4
Exchange Square	100	139		
One Exchange Square	100		53	–
Two Exchange Square	100		47	–
Three Exchange Square	100		30	–
Podium	100		–	5
The Forum (under redevelopment)	100		4	–
Jardine House	100	63	59	4
Gloucester Tower	100	44	44	–
Landmark Atrium	100	24	–	24
Edinburgh Tower	100	45	32	13
York House	100	10	10	–
Prince's Building	100	51	38	13
		454	386	68
Macau				
One Central	46.6	19	–	19
Singapore				
One Raffles Link	100	29	22	7
One Raffles Quay	33.3	124		
North Tower			71	–
South Tower			53	–
Marina Bay Financial Centre	33.3	285		
Tower 1			58	1
Tower 2			95	7
Tower 3			116	8
		438	415	23
Jakarta, Indonesia				
Wisma Metropolitan I	50	17	15	2
Wisma Metropolitan II	50	18	16	2
World Trade Center	50	43	37	6
World Trade Center II	50	61	57	4
		139	125	14
Bangkok, Thailand				
Gaysorn Plaza	49	17	5	12
Hanoi, Vietnam				
Central Building	71	4	4	–
63 L'y Thái Tô'	73.9	7	6	1
		11	10	1

Residential Development Property for Sale

Completed development	Attributable interests %	Location	Available units at 31st December 2012 (100%)
Hong Kong			
Serenade	100	Tai Hang Road	18
Mainland China			
Maple Place	90	Beijing	98
Macau			
One Central Residences	46.6	Avenida Dr Sun Yat Sen	1
The Residences & Apartments at Mandarin Oriental	46.6	Avenida Dr Sun Yat Sen	2

Under development	Attributable interests %	Location	Site area (100%) (in square metres)
Singapore			
The Estuary	100	Yishun Avenue 1/Avenue 2	26,949
Hallmark Residences	100	Ewe Boon Road	5,906
Palms@Sixth Avenue	100	Sixth Avenue	6,412
Uber 388	100	Upper East Coast Road	6,103
Este Villa	100	Nim Road	17,955
Terrasse	100	Hougang Avenue 2	30,196
Ripple Bay	100	Jalan Loyang Besar/ Pasir Ris Drive 4	27,055
Jurong Gateway	100	Boon Lay Way	11,588
Marina Bay Suites	33.3	Central Boulevard	5,290
Mainland China			
Bamboo Grove	50	Chongqing	288,842
Landmark Riverside	50	Chongqing	336,600
Yorkville South	100	Chongqing	385,944
Yorkville North	100	Chongqing	526,458
WE City	50	Chengdu	190,253
Park Life	50	Shenyang	326,588
One Capitol	50	Shenyang	272,288
One Island	50	Shenyang	356,624

HONG KONG – CENTRAL DISTRICT

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

HONG KONG

Serenade

MACAU

One Central

INDONESIA

Jakarta Land – Wisma Metropolitan I & II and WTC I

Jakarta Land – WTC II

INDONESIA

BSD City*

VIETNAM

63 Lý Thái Tổ

Central Building

THAILAND

Gaysorn

CAMBODIA

Central Mansions

Embassy Site

BEIJING, CHINA


Wangfujing Site


CBD Site

BEIJING, CHINA


Central Park


Maple Place

CHONGQING, CHINA


Bamboo Grove

CHONGQING, CHINA


Landmark Riverside


Yorkville South


Yorkville North*

CHENGDU, CHINA


WE City

SHENYANG, CHINA


Park Life


One Capitol

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

SINGAPORE


Marina Bay Financial Centre


One Raffles Quay


Marina Bay Link Mall


One Raffles Link


CityLink Mall


Marina Bay Suites


Parvis


D'Mira


The Estuary*


Este Villa*

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

Hongkong Land Holdings Limited Annual Report 2012

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