




Annual Report 2018
Hongkong Land Holdings Limited



Hongkong Land's retail portfolio located in the heart of Hong Kong's Central District houses a wide array of prestigious international brands (front cover).

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 **Hongkong Land** is a major listed property investment, management and development group. Founded in 1889, Hongkong Land's business is built on excellence, integrity and partnership.

The Group owns and manages more than 850,000 sq. m. of prime office and luxury retail property in key Asian cities, principally in Hong Kong, Singapore, Beijing and Jakarta. Its properties attract the world's foremost companies and luxury brands.

The Group's Central Hong Kong portfolio represents some 450,000 sq. m. of prime property. It has a further 165,000 sq. m. of prestigious office space in Singapore mainly held through joint ventures, a luxury retail centre at Wangfujing in Beijing, and a 50% interest in a leading office complex in Central Jakarta. The Group also has a number of high quality residential, commercial and mixed-use projects under development in cities across Greater China and Southeast Asia. In Singapore, its subsidiary, MCL Land, is a well-established residential developer.

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

Corporate Information

Directors

Ben Keswick Chairman and
Managing Director

Robert Wong Chief Executive

Charles Allen-Jones

Simon Dixon

Mark Greenberg

Adam Keswick

Simon Keswick

Anthony Nightingale

Christina Ong

Y.K. Pang

Lord Powell of Bayswater, KCMG

Lord Sassoon, Kt

James Watkins

Percy Weatherall

Michael Wei Kuo Wu

Company Secretary

Jonathan Lloyd

Registered Office

Jardine House

33-35 Reid Street

Hamilton

Bermuda

Hongkong Land Limited

Directors

Ben Keswick Chairman

Robert Wong Chief Executive

Simon Dixon Chief Financial Officer

Raymond M.J. Chow

Kenneth Foo

Robert L. Garman

Mark Greenberg

David Hsu

David P. Lamb

Ling Chang Feng

Y.K. Pang

Jeremy Parr

John Witt

Raymond Wong

Corporate Secretary

Jonathan Lloyd

Highlights

- Underlying profit up 9% to a record US\$1,036 million
- Full-year dividend increases 10%
- Stable asset values
- Twelve new projects secured

Results

	2018 US\$m	2017 US\$m restated [†]	Change %
Underlying profit attributable to shareholders*	1,036	947	9
Profit attributable to shareholders	2,457	5,614	(56)
Shareholders' funds	38,342	36,842	4
Net debt	3,564	2,549	40
	US¢	US¢	%
Underlying earnings per share*	44.24	40.24	10
Earnings per share	104.92	238.61	(56)
Dividends per share	22.00	20.00	10
	US\$	US\$	%
Net asset value per share	16.43	15.66	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 28 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.

† The accounts have been restated due to change in accounting policies upon adoption of IFRS 9 'Financial Instruments' and IFRS 15 'Revenue from Contracts with Customers', as set out in Note 1 to the financial statements.

Chairman's Statement

Overview

In 2018, Hongkong Land achieved a second consecutive year of record underlying profit. The Group's Investment Properties portfolio benefited from higher overall average rents. In the Development Properties business, the contribution from mainland China was broadly in line with the prior year, while higher profits were recognised in Singapore. The Group continued to make good progress in acquiring new sites during the year.

Performance

Underlying profit attributable to shareholders rose 9% to US\$1,036 million.

Including the net gains of US\$1,421 million resulting from higher valuations of the Group's investment properties, the profit attributable to shareholders was US\$2,457 million. This compares to US\$5,614 million in 2017, which included net gains of US\$4,667 million arising from revaluations.

The net asset value per share at 31st December 2018 was US\$16.43, compared with US\$15.66 at the end of 2017.

The Directors are recommending a final dividend of US\$0.16 per share, providing a total dividend for the year of US\$0.22 per share, compared with US\$0.20 per share for 2017.

Group Review

Investment Properties

In Hong Kong, the office leasing market in Central continues to benefit from high occupancy and limited new supply. At the end of 2018, the Group's Central office vacancy was 1.4%, unchanged compared to the end of 2017. Positive rental reversions continued, with average office rents increasing to HK\$113 per sq. ft in 2018 from HK\$108 per sq. ft in 2017. The Group's Central retail portfolio effectively remains fully occupied with positive rental reversions. The average retail rent in 2018 increased to HK\$233 per sq. ft from HK\$224 per sq. ft in 2017. The value of the Group's Investment Properties portfolio in Hong Kong increased by 4%, due to higher rents.

In Singapore, vacancy in the Group's office portfolio was 2.5% at the end of 2018, compared with 0.3% at the end of 2017, although this will decline as committed space is taken up in 2019. Rental reversions in the second half of the year were positive as the market continued to improve, with average rents increasing slightly to S\$9.2 per sq. ft in 2018 from S\$9.1 per sq. ft in 2017.

In mainland China, the retail component of WF CENTRAL in Beijing is performing in line with expectations and has attracted many of the world's leading luxury brands. The official opening of the hotel component of the development, Mandarin Oriental Wangfujing, is scheduled in March 2019.

Planning of the Group's 49%-owned prime mixed-use retail and Grade A office development in the central business district of Bangkok in Thailand continues to be in line with schedule. The development is expected to complete in 2025.

Development Properties

The profit contribution from Development Properties in mainland China remained largely unchanged compared to the prior year despite fewer completions, while the Group's attributable interest in contracted sales was 42% higher than 2017 at US\$1,578 million due to a greater number of sales launches. Sentiment in the Group's key markets remained stable. At 31st December 2018, the Group had an attributable interest of US\$1,358 million in sold but unrecognised contracted sales, compared with US\$1,032 million at the end of 2017.

During the year, the Group secured four new residential sites in mainland China, with a wholly-owned project in Chongqing and joint ventures in each of Chongqing, Nanjing and Chengdu. The Group also secured a 50% interest in a commercial mixed-use site in the centre of Nanjing, and a 26.7% interest in a predominantly commercial mixed-use site in the Xuhui district of Shanghai. The Group's effective interest in these projects equates to a developable area of 566,000 sq. m.

In Singapore, higher profits were recognised in 2018 compared to the prior year, primarily as a result of the completion of the 1,327-unit Sol Acres executive

condominium development. The 309-unit Margaret Ville project and the 1,404-unit Parc Esta project both experienced successful sales launches during the year, despite moderating market demand due to additional cooling measures introduced by the government. During the year, the Group conditionally acquired a 50% interest in a freehold residential site with a developable area of 47,000 sq. m. which will comprise 672 mid-rise apartments. The transaction was completed in January 2019.

The Group's projects in the rest of Southeast Asia are progressing on schedule with satisfactory contracted sales, as well as completions at Anandamaya Residences in Indonesia and The Nassim in Vietnam during 2018. The Group entered into agreements to develop five new projects during the year, with two in both Jakarta and Bangkok, and one in Manila. The Group's effective interest in these projects equates to a developable area of 398,000 sq. m.

Financing

The Group's financial position remains strong with net debt of US\$3.6 billion at 31st December 2018, up from US\$2.5 billion at the end of 2017, due to land purchases in respect of its new projects. Net gearing at the end of the year was 9%, compared with 7% at the end of 2017. Net debt will move modestly higher as payments are made during the first half of 2019 for land purchases that have already been committed.

People

I would like to express my appreciation on behalf of the Board to all of our staff for their continued commitment and professionalism, as well as for their hard work in driving the growth of the Group during the year.

Dr Richard Lee stepped down as a Director on 9th May 2018 and Sir Henry Keswick retired from the Board on 31st December 2018. We would like to record our gratitude to both of them for the significant contributions they have made over many years to the Group. We were pleased to welcome Christina Ong to the Board in May 2018.

Outlook

The profit contribution from the Group's Investment Properties is expected to remain stable in 2019, while anticipated higher profits from the Group's Development Properties in mainland China as a result of more completions will be offset by lower contributions from other markets.

Ben Keswick

Chairman

28th February 2019

Chief Executive's Review

Hongkong Land had another excellent year in 2018, with improved contributions from both its Investment Properties and Development Properties businesses. The Group continues to maintain a strong balance sheet with ample financial liquidity.

Strategy

Hongkong Land is a landlord and a developer in Greater China and Southeast Asia. The Group operates a well-diversified portfolio of prime investment properties which it develops and holds as long-term investments, as well as developing premium residential and commercial properties for sale.

The Group's investment properties are predominantly commercial in nature and located in the core central business districts of Asian gateway cities, with a concentration in Hong Kong and Singapore. Returns principally arise from rental income and long-term capital appreciation. Investment Properties is the largest contributor to the Group's earnings given its relative size and maturity. It accounted for 88% of the Group's gross assets at the end of 2018 (2017: 90%) and contributed 64% of the Group's underlying operating profit before corporate expenses in 2018 (2017: 66%).

The Group's development properties are primarily premium residential and mixed-use developments, located in mainland China and Singapore, with a growing presence in other Southeast Asian markets. Returns principally arise from trading profits for the immediate sale of the residential and office components, and rental and trading profits for certain commercial elements of mixed-use sites that are disposed of or reclassified after rents have stabilised. Development Properties accounted for 12% of the Group's gross assets at the end of 2018 (2017: 10%) and 36% of the Group's underlying operating profit before corporate expenses in 2018 (2017: 34%).

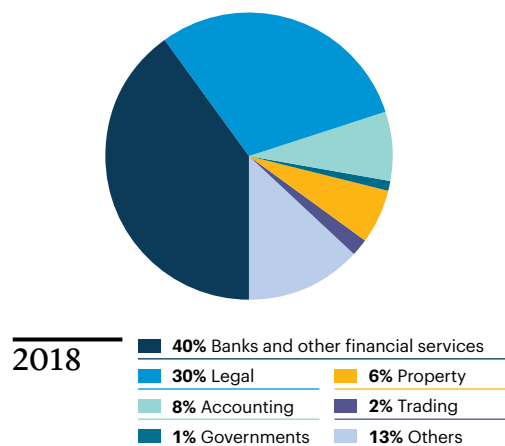
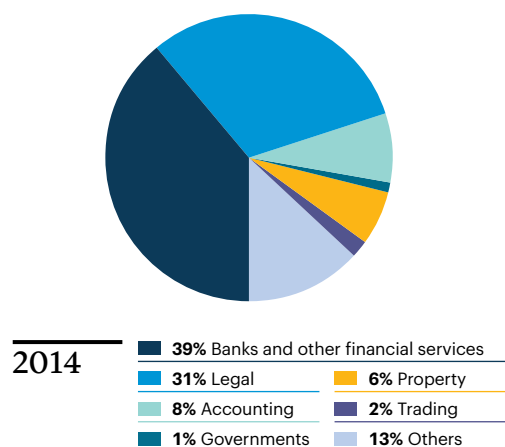
Geographically, Greater China generates the bulk of the Group's earnings. Hong Kong, which comprises predominantly investment properties, accounted for 54% of the Group's underlying operating profit before corporate expenses (2017: 56%), whilst mainland China, which comprises predominantly development properties, accounted for 26% (2017: 30%).

The commercial portfolios in Hong Kong and Singapore provide a stable stream of recurring earnings and balance

sheet strength that enables the Group to pursue new opportunities in both its Investment Properties and Development Properties businesses in its key markets. Capital allocation by both business and geographical segments will be opportunity driven. The pace of new investments in the coming year may moderate when compared to the prior two years, during which over US\$6 billion has been committed to new projects.

Hong Kong's Central Portfolio

In Hong Kong, the Group's Central Portfolio consists of 12 interconnected prime commercial buildings forming the heart of the financial district in Central, providing over 450,000 sq. m. of Grade A office and luxury retail space. This integrated mixed-use development is positioned as the pre-eminent office, luxury retail, restaurant and hotel accommodation in Hong Kong, and continues to attract both prime office tenants and luxury retailers.



Central portfolio office tenant profile by area occupied

**Central portfolio top five office tenants
(in alphabetical order)**

in 2018

JP Morgan

KPMG

Mayer Brown

PricewaterhouseCoopers

Stock Exchange of Hong Kong

**Central portfolio top five retail tenants
(in alphabetical order)**

in 2018

Armani Group

Dickson Concepts

Hermes

Kering

LVMH Group

Hong Kong's positioning as one of Asia's main financial and business hubs, combined with the scarcity of supply of high quality space in Central and the unique advantages of the Group's portfolio, continues to support low vacancy and strong rents.

The Group's 54,000 sq. m. retail portfolio is integrated with the office buildings to create part of the Group's distinctive and successful mixed-use business model. Its tenants include numerous luxury brand flagship stores, as well as a number of leading restaurants. LANDMARK is firmly established as the iconic shopping and fine dining destination in Hong Kong.

Other Investment Properties

Outside Hong Kong, the Group has similarly established itself as a leading provider of prime office and retail space.

In Singapore, Hongkong Land's attributable interests of 165,000 sq. m., principally concentrated in the Marina Bay Area, include some of the finest Grade A office space in the market. In mainland China, the 43,000 sq. m. retail component of the Group's WF CENTRAL development in Beijing is positioned as a premium retail and lifestyle destination in the city. In Indonesia, the Group has attributable interests of over 100,000 sq. m. of Grade A office space through its 50%-owned joint venture, Jakarta Land. In Cambodia, the Group's EXCHANGE SQUARE complex comprises 25,000 sq. m. of office and retail space in the heart of Phnom Penh.

Our performance in these markets depends on the levels of demand for, and supply of, prime office and luxury

retail space, both of which are influenced by global and regional macro-economic conditions. The Group is committed to maintaining excellence in product quality and service to retain and attract tenants and customers, and will continue to seek new opportunities to develop prime investment properties in Asia.

Development Properties

The Group has established a strong and profitable trading business focusing primarily on the premium market segment in mainland China and Southeast Asia. While the capital invested in this business is significantly lower than in Investment Properties, the earnings derived from Development Properties enhance the Group's overall profits and returns on capital. The Group's attributable interest in the developable area of its projects at the end of 2018 totalled 9.3 million sq. m., compared to 8.2 million sq. m. at the end of 2017. Of this, construction of approximately 36% had been completed at the end of 2018, compared to 34% at the end of 2017.

Annual returns from Development Properties fluctuate due to the nature of the projects and the Group's accounting policy of recognising profits on sold properties on completion in a number of markets including mainland China. Demand is also dependent on overall economic conditions, which can be significantly affected by government policies and the availability of credit. Ongoing land acquisitions are necessary to build and maintain a stable income stream over the longer term.

Review of Investment Properties

Profits from the Group's investment properties were higher in 2018 than in 2017, due primarily to positive rental reversions and continuing low vacancy in Hong Kong and Singapore.

Hong Kong

Demand in the Hong Kong office leasing market remained buoyant during the first half of the year, but there has been a slowdown in leasing momentum in recent months, particularly in terms of demand from mainland Chinese companies. As a result of high occupancy and the continued scarcity of new Grade A office supply in Central, the Group's vacancy at the end of 2018 was low at 1.4%, unchanged from the end of 2017. Vacancy for the overall Central Grade A market was 1.8% at the end of 2018, compared to 1.7% at the end of 2017. The Group's average office rent in 2018 was HK\$113 per sq. ft, an increase from last year's average of HK\$108 per sq. ft. Financial institutions, legal firms and accounting firms occupy 78% of the Group's total leased office space.

The Group's retail portfolio in Hong Kong benefited from generally improved market sentiment throughout the year, and was effectively fully let at 31st December 2018. Base rental reversions were mildly positive during the year, while the average rent of HK\$233 per sq. ft was up from the HK\$224 per sq. ft achieved in the prior year.

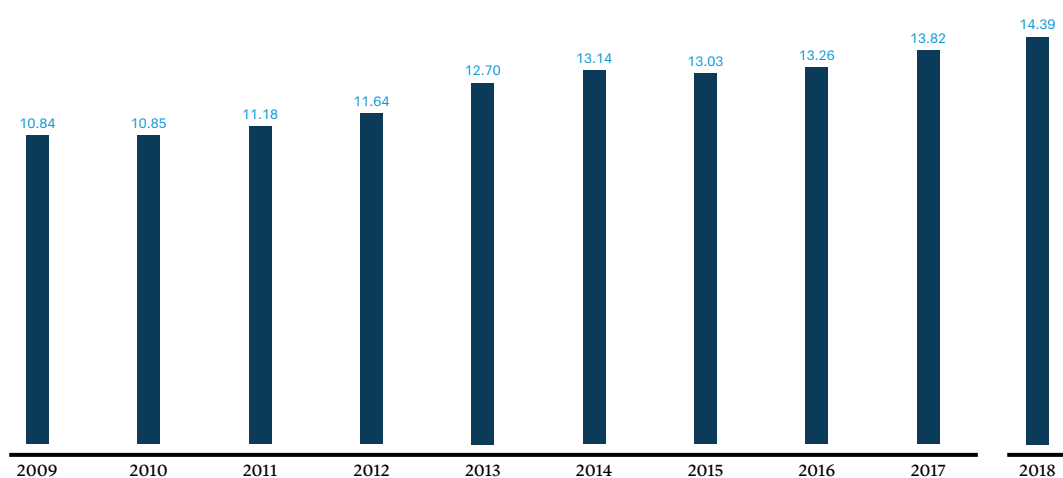
The value of the Group's investment portfolio in Hong Kong at 31st December 2018, based on independent valuations, increased by 4% to US\$32.1 billion when compared to the prior year, due to increased open market rents with no change in capitalisation rates.

Central portfolio

at 31st December 2018

	Office	Retail
Capital value (US\$m)	26,863	4,921*
Gross revenue (US\$m)	774	266*
Equivalent yield (%)		
– One and Two Exchange Square	3.00	
– Landmark Atrium		4.50
Average unexpired term of leases (years)	4.0	2.4
Area subject to renewal/review in 2019 (%)	26	44

* Includes hotel



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

Singapore

The Singapore office leasing market continues to improve as new supply has gradually been absorbed by the market. The overall vacancy rate across the entire Grade A central business district was 7.2% as at the end of 2018, compared to 10.8% at the end of 2017. The Group's office portfolio continued to perform well, reflecting its high quality and unique positioning. The Group's average rent in 2018 was S\$9.2 per sq. ft, a slight increase from S\$9.1 per sq. ft in the previous year, due to positive rental reversions. Vacancy was higher at 2.5% at the year end, compared to 0.3% at the end of 2017, although this will decline as committed space is taken up in 2019. Financial institutions, legal firms and accounting firms occupy 80% of the Group's total leased office space.

Mainland China

In Beijing, the retail component of WF CENTRAL, the Group's unique lifestyle, luxury retail and hotel project in Wangfujing, was formally launched in May 2018 and is performing within expectations, having attracted a large number of renowned international brands. The 73-room Mandarin Oriental hotel component is scheduled to open in March 2019. In the central business district of Beijing's Chaoyang District, the Group's 30%-owned Grade A office development of 120,000 sq. m. remains in the planning phase, with expectations that construction will commence in 2020. In Shanghai, the Group's joint venture in the Qiantan area of Pudong to develop a mixed-use project was terminated in December 2018 as certain conditions precedent were not fulfilled.

Other Investment Properties

In One Central Macau, retail occupancy was 92%, unchanged from the end of 2017. Tenant sales were up 9% despite a cooling in retail market sentiment in recent months. Rental reversions were negative during the year, although the average rent of MOP213 per sq. ft was up from the MOP200 per sq. ft achieved in the prior year due to higher turnover rent.

In Jakarta, the development of the fifth tower at the Group's 50%-owned joint venture, Jakarta Land, was completed in early 2018. Its occupancy was 33% at the end of 2018, with a further 24% of space now committed. Excluding the new office tower, occupancy across the portfolio was 91% at the end of 2018, compared to 92% at the end of 2017, reflecting a resilient performance in

the context of the continued surplus of city-wide office supply. The average gross rent of all five towers in 2018 was US\$25.7 per sq. m., compared to US\$25.1 per sq. m. in the prior year.

In Phnom Penh, EXCHANGE SQUARE, the Group's 25,000 sq. m. prime mixed-use complex in the heart of the city's emerging financial district, continues to be taken up by tenants, and was 85% occupied at the end of 2018, compared to 65% at the end of the prior year.

In Bangkok, planning of the Group's 49%-owned prime commercial joint-venture development in the central business district, secured in late 2017, continues in line with schedule. This development has a developable area of 440,000 sq. m. and is expected to complete in 2025.

Performances at the Group's other investment properties were within expectations.

Review of Development Properties

Earnings from the Group's development properties were higher in 2018 compared to 2017, primarily due to higher contributions from Singapore.

Mainland China

The Group's development properties in mainland China comprise 20 projects in seven cities, of which 10 projects are in Chongqing. The scale of the business has grown significantly, with interests in 11 projects secured over the past two years for a total committed investment of over US\$3 billion. During this period, the Group's net investment in development properties in mainland China has grown from US\$1.6 billion at 31st December 2016 to US\$3.4 billion at 31st December 2018.

During the year, the Group acquired a wholly-owned project in Chongqing and five joint venture projects, including two in Nanjing and one in each of Chongqing, Shanghai and Chengdu. All projects are residential, except for one project in Nanjing which is commercial and one project in Shanghai which is predominantly commercial in nature.

Market sentiment in the Group's key markets remained resilient despite government cooling measures. Total contracted sales in 2018 were US\$1,578 million, 42% higher than the US\$1,112 million achieved in the prior year. The Group's attributable interest in revenue

recognised, including its share of revenue in joint ventures and associates, decreased by 10% to US\$1,207 million in 2018 from US\$1,347 million in 2017, due to the timing of completions.

At 31st December 2018, the Group's attributable interest in sold but not yet recognised contracted sales amounted to US\$1,358 million, an increase of 32% from US\$1,032 million at the end of 2017.

Chongqing, the largest city in western China, remains the most significant market in the country for the Group's development properties, representing some 42% of its mainland China exposure in this area of the business. Including newly acquired projects during the year, the Group has four wholly-owned projects – Yorkville South, Yorkville North, Bamboo Grove Riverside which was acquired in August 2017 and a project in Yuelai acquired in December 2018 – and six 50%-owned joint ventures: Bamboo Grove, New Bamboo Grove, Landmark Riverside, Central Avenue, Lijia Landscape which was acquired in August 2017 and a project in Lijia acquired in December 2018.

The newly acquired 100%-owned site in Yuelai is primarily residential, with a total developable area of 125,000 sq. m. The newly acquired 50%-owned site located in Lijia is also primarily residential, with a total developable area of 61,000 sq. m. Both projects will be developed in two phases through to 2021.

The Group's attributable interest in revenue from property sales in Chongqing, including its share of revenue in joint ventures and associates, increased by 26% to US\$1,015 million in 2018 from US\$806 million in 2017, due to the timing of completions. The Group's attributable interest in the developable area of its Chongqing projects at the end of 2018 totalled 4.5 million sq. m., compared to 4.3 million sq. m. at the end of 2017. Of this, construction of approximately 57% had been completed at the end of 2018, compared to 48% at the end of 2017.

In Chengdu, the Group will develop a predominantly residential site located in the Huaifu area of Shuangliu District. The 33%-owned project has a developable area of 155,000 sq. m., and will be developed in one phase with completion expected in 2021.

In Nanjing, the Group acquired two new projects during the year. The first is JL CENTRAL, a prime mixed-use site in Xinjiekou, a mature business and retail district in the heart

of the Nanjing central business district. The 50%-owned project will comprise offices and retail space over a developable area of 255,000 sq. m. and will be developed in one phase with expected completion in 2023. The second newly acquired project is a pure residential site located in Jiangbei New District in northwestern Nanjing. The 50%-owned project has a developable area of 254,000 sq. m. and will be developed in two phases with completion expected to take place in 2021.

In Shanghai, the Group will develop a prime mixed-use site located in Xuhui District. The 26.7%-owned project has a developable area of 392,000 sq. m., comprising Grade A office and retail space as well as residential apartments. The project will be developed in three phases in the period to 2023.

Singapore

The Group completed one residential project during 2018, the 1,327-unit Sol Acres executive condominium project, which was fully sold. The 710-unit Lake Grande project, a residential site located adjacent to the LakeVille project, is fully pre-sold and is on schedule for completion in 2019.

The 309-unit Margaret Ville project, a residential site with a developable area of 22,000 sq. m., is 42% pre-sold with completion scheduled in 2021. At the Parc Esta project (formerly Eunoville), a residential site at Sims Avenue near the Eunov MRT station, construction commenced in 2018 and is expected to complete in 2021. Upon completion, the project will offer 1,404 units over a developable area of approximately 98,000 sq. m. As at the end of 2018, 18% of units had been pre-sold.

In April 2018, the Group conditionally acquired a freehold residential site on Farrer Road in District 10 for redevelopment. The transaction was completed in January 2019. The 50%-owned project consists of 672 apartment units and has a developable area of 47,000 sq. m. Construction will be in one phase with completion scheduled in 2022.

Other Development Properties

In Indonesia, construction of the Group's residential projects is progressing well. Nava Park, the Group's 49%-owned joint venture with Bumi Serpong Damai, is a 68 hectare site in the southwest of central Jakarta. Upon completion in 2033, Nava Park will comprise a mix of landed houses, villas, mid-rise apartments and low-rise

commercial components. Of the 734 units which have been launched for sale, 84% had been pre-sold as at the end of 2018.

Anandamaya Residences, the 40%-owned joint venture project with affiliate Astra International, is a 509-unit luxury apartment development which was completed in August 2018. As of the end of 2018, 95% of the units had been sold.

Asya, a joint venture in which the Group has a 33.5% attributable interest, is a 68 hectare site located east of central Jakarta. The project will yield a total developable area of approximately 1.1 million sq. m., comprising landed houses, villas, apartments and low-rise commercial shophouses. The project will be developed in multiple phases through to 2031. Of the 351 launched units, 32% had been pre-sold as at the end of 2018.

In January 2018, the Group agreed to jointly develop on a 40-60 basis a luxury condominium project in South Jakarta named Arumaya. The project will yield 262 luxury garden villas over a developable area of 24,000 sq. m., and is expected to complete in 2021. As at the end of 2018, 20% of the units had been reserved. During the year, the Group jointly secured a 50% interest in a mixed-use development situated on Jl. Jend. Gatot Subroto in central Jakarta, which will comprise of over 300 high-end apartments and a Grade A office tower. The project has a developable area of 77,000 sq. m. and will be developed in two phases through to 2023.

In the Philippines, the 40%-owned Two Roxas Triangle is a 182-unit luxury condominium tower located in Manila's central Makati area. The development is expected to complete in the first half of 2019 and was 100% pre-sold at the end of 2018.

At Mandani Bay, a 40%-owned 20 hectare development comprising principally residential units with some office and retail components in Cebu, construction is progressing well. The project will be developed in multiple phases through to 2035. Of the 3,115 units which have been launched, 71% were pre-sold at the end of 2018.

In February 2018, the Group agreed to jointly develop a 2,048-unit luxury condominium project situated in the Bridgetowne Township in Pasig City, Manila. The 40%-owned project will be developed in three phases through to 2026 and has a developable area of 144,000 sq. m.

In Vietnam, Thu Thiem River Park, a 64% conditionally owned residential development in District 2 of Ho Chi Minh City, is a luxury condominium development consisting of over 1,000 units, with a total developable area of 175,000 sq. m. Completion is scheduled over two phases through to 2024. 29B NDC, a 70%-owned residential development in District 1 of Ho Chi Minh City, is a 515-unit luxury residential tower with a total developable area of approximately 57,000 sq. m. Construction is progressing on schedule, with completion expected in 2021.

In Thailand, the Esse Sukhumvit 36, a 49%-owned 338-unit luxury condominium tower in the Sukhumvit area of Bangkok, is currently 59% pre-sold. Construction remains on track for completion in 2020.

During the year, the Group secured a 49% interest in two luxury landed housing sites in Bangkok. The first site is located in Nonthaburi in Western Bangkok. The project has a total developable area of 433,000 sq. m., and will consist of over 1,200 villas. It is expected to be developed in four phases through to 2028. The second site, which has a developable area of 164,000 sq. m., is located on King Kaew Road close to Suvarnabhumi International Airport. The project will comprise 438 villas and is expected to complete in 2027.

The Year Ahead

The Group's Investment Properties portfolio is expected to continue generating stable returns in 2019 and will remain the largest contributor to the Group's earnings. In the Development Properties business, higher profits are expected from mainland China although these will be offset by a lower contribution from projects in Southeast Asia.

The foundation of Hongkong Land's success is in satisfying its tenants' and customers' needs through the delivery of world-class services and products. By maintaining its focus on its core values, Hongkong Land will continue to strengthen its market positions and achieve long-term success. The Group intends to utilise its strong balance sheet and disciplined investment approach to achieve sustained growth and strong shareholder returns over the long-term.

Robert Wong

Chief Executive

28th February 2019

Financial Review

Results

Underlying business performance

	2018 US\$m	2017 US\$m restated*
Investment Properties	1,044	988
Development Properties	582	513
Corporate costs	(72)	(68)
Underlying operating profit	1,554	1,433
Net financing charges	(152)	(104)
Tax	(352)	(368)
Non-controlling interests	(14)	(14)
Underlying profit attributable to shareholders	1,036	947
Non-trading items	1,421	4,667
Profit attributable to shareholders	2,457	5,614
	US¢	US¢
Underlying earnings per share	44.24	40.24

* The accounts have been restated due to changes in accounting policies upon adoption of IFRS 9 'Financial Instruments' and IFRS 15 'Revenue from Contracts with Customers', as set out in Note 1 to the financial statements.

Underlying operating profit by reportable segment is summarised in the above table, including the Group's share of results from its associates and joint ventures. Given the significance of the Group's joint ventures, this provides a clearer summary of the Group's performance during the year.

Operating profit from Investment Properties increased by 6% to US\$1,044 million, benefiting from higher average rents and low vacancies.

In Hong Kong, average office rents increased by 5%, supported by limited supply and high occupancy levels. Average rents for the retail portfolio increased by 4%, with retailers on the whole experiencing improved trading conditions.

The Hong Kong Central Portfolio remains the Group's largest profit contributor, generating 84% of the operating profit contributed by the Group's Investment Properties, down by 1% compared to the prior year.

In Singapore, the contribution to the Group's Investment Properties segment remained unchanged from the prior year, with average Singapore dollar rents marginally increasing due to positive rental reversions. Contributions from Singapore amounted to 11% of the Group's operating profits from Investment Properties, marginally lower than the previous year of 12%.

In mainland China, the retail component of WF CENTRAL in Beijing has been performing within expectations since its grand opening in May 2018.

Operating profit from Development Properties increased by 13% to US\$582 million, principally due to higher contributions from Singapore and other parts of Southeast Asia.

The operating profit contribution from mainland China Development Properties was down by 8% from the previous year to US\$431 million, mainly due to fewer completions in the Group's joint venture developments. Including the impact of Land Appreciation Tax which is accounted for within the tax line, the contribution from the Group's mainland China Development Properties remained largely unchanged from the prior year.

The Group's attributable interest in revenue, being the Group's share of completed units handed over to customers, decreased by 10% compared to the prior year to US\$1,207 million due to the timing of completions, whilst modestly higher gross profit margins were recognised due to a change in product mix.

Revenue was recognised at the following projects in mainland China:

Project	City	Attributable interest %	Number of units handed over	
			2018	2017
Maple Place	Beijing	90	1	13
WE City	Chengdu	50	615	730
Yorkville North	Chongqing	100	1,092	844
Yorkville South	Chongqing	100	811	940
Bamboo Grove	Chongqing	50	3	1,431
New Bamboo Grove	Chongqing	50	1,257	1,322
Landmark Riverside	Chongqing	50	962	1,438
Central Avenue	Chongqing	50	1,692	482
Parkville	Shanghai	50	34	490

In Singapore, Development Properties operating profits increased to US\$122 million from US\$39 million in 2017, with revenue recognised of US\$953 million compared to US\$271 million in 2017, primarily due to the completion of Sol Acres, a 1,327-unit executive condominium project, and recognition on a percentage of completion basis of other projects being developed.

In other parts of Southeast Asia, the Group recorded strong growth in recognised profits compared to the prior year principally due to the completion of Anandamaya Residences in Indonesia, a 509-unit luxury apartment development, and The Nassim in Vietnam, a 238-unit premium condominium project.

Other locations are predominantly under development and are yet to make a meaningful contribution to operating profit.

Net financing charges of US\$152 million were 45% higher than the prior year primarily due to an increase in average net borrowings as a result of the Group's recent investments, and interest no longer being capitalised on the retail component at WF CENTRAL. Average borrowing costs were 3.5%, broadly in line with the prior year at 3.6%.

The tax charge, which includes Land Appreciation Tax at the Group's Development Properties projects in mainland China, decreased by 4% to US\$352 million, with a lower effective tax rate of 25.1% from the prior year's 27.7%, primarily because of higher Land Appreciation Tax incurred in 2017 in relation to the Parkville project in Shanghai.

In 2018, underlying profit attributable to shareholders was US\$1,036 million, 9% higher than the prior year. This compares to a 10% increase in underlying profit per share due to the repurchase and cancellation of 18,878,700 ordinary shares for an aggregate cost of US\$132 million during the year.

Non-Trading Items

In 2018, the Group had net non-trading gains of US\$1,421 million compared with US\$4,667 million in 2017. These arose principally on revaluations of the Group's investment properties, including its share of joint ventures, which were performed at 31st December 2018 by independent valuers.

The gains on valuation came primarily from the Group's Central office portfolio in Hong Kong due to an increase in open market rents with no change in capitalisation rates. The Central portfolio increased in value by 4% to US\$31.8 billion.

Cash Flows

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

	2018 US\$m	2017 US\$m
Operating activities		
Operating profit, excluding non-trading items*	1,089	876
Net interest	(127)	(76)
Tax paid	(172)	(137)
Payments for Development Properties sites	(809)	(549)
Expenditure on Development Properties projects	(355)	(298)
Sale proceeds from Development Properties	1,328	1,018
Dividends received from joint ventures	139	94
Others	(489)	(128)
	604	800
Investing activities		
Major renovations capex	(93)	(108)
Investments in and advances to associates and joint ventures	(979)	(670)
Development expenditure	(57)	(106)
Acquisition of a subsidiary	-	(43)
Refund/(payment) of deposit for a joint venture	73	(20)
	(1,056)	(947)
Financing activities		
Dividends paid by the Company	(467)	(443)
Shares repurchase	(132)	-
Net drawdown of borrowings	838	239
Others	(2)	11
	237	(193)
Net decrease in cash and cash equivalents	(215)	(340)
Cash and cash equivalents at 1st January	1,617	1,898
Effect of exchange rate changes	(33)	59
Cash and cash equivalents at 31st December	1,369	1,617

* Operating profit, excluding non-trading items, has been restated due to changes in accounting policies upon adoption of IFRS 15 'Revenue from Contracts with Customers', as set out in Note 1 to the financial statements.

The cash inflows from operating activities for the year were US\$604 million, compared with US\$800 million in the prior year. The decrease of US\$196 million was principally due to higher land payments for wholly-owned Development Properties sites, higher interest payments and higher taxes, partially offset by higher sales proceeds received from the Group's wholly-owned Development Properties projects.

The Group's operating profit from its subsidiaries (excluding non-trading items) was US\$1,089 million, 24% higher than the prior year, largely due to increased contributions from the Hong Kong Central portfolio and wholly-owned Development Properties in mainland China and Singapore. Net interest paid of US\$127 million was

US\$51 million higher than in 2017 due to higher average net borrowings. In 2018, US\$809 million was paid by the Group to acquire wholly-owned Development Property sites, predominantly attributable to the Parc Esta project in Singapore (US\$748 million), as compared to US\$549 million in 2017. Sale proceeds from Development Properties were US\$310 million higher at US\$1,328 million, principally due to higher sales proceeds at Yorkville North and Yorkville South in Chongqing. Dividends received from joint ventures increased by US\$45 million to US\$139 million, mainly due to receipts from Anandamaya Residences in Indonesia and New Bamboo Grove in mainland China.

Cash outflows from investing activities were US\$1,056 million, compared to US\$947 million in the prior year. Net funding of the Group's joint venture projects totalled US\$979 million, an increase on US\$670 million in the prior year primarily due to an increase in new joint venture Development Properties activity in China, as well as funding for the Group's joint venture Investment Properties development in central Bangkok. Development expenditure of US\$57 million was predominantly for the WF CENTRAL project in Beijing, whilst capital expenditure of US\$93 million for major renovations principally relates to the Group's Hong Kong Central portfolio. The Group received a US\$73 million deposit refund following the termination of a joint venture in the Qiantan area of Pudong District in Shanghai.

Under financing activities, the Company paid dividends of US\$467 million, being the 2017 final dividend of US\$14.00 per share and the 2018 interim dividend of US\$6.00 per share, US\$1.00 per share higher compared to the prior year. The Group also spent US\$132 million in share repurchases during the year, whilst it had a net drawdown of borrowings of US\$838 million.

Cash and cash equivalents were US\$248 million lower at the end of 2018. Taken together with an increase in borrowings, this resulted in an increase in the Group's net debt at 31st December 2018, which has moved up to US\$3,564 million, from US\$2,549 million at the beginning of the year.

Year-end debt summary*

	2018	2017
	US\$m	US\$m
US\$ bonds/notes	1,499	1,504
HK\$ bonds/notes	1,425	1,238
HK\$ bank loans	460	555
S\$ bonds/notes	217	112
S\$ bank loans	593	364
RMB bank loans	479	393
PHP bank loans	4	-
THB bank loans	262	5
Gross debt	4,939	4,171
Cash	1,375	1,622
Net debt	3,564	2,549

* Before currency swaps

Capital Management

The Group's capital management policies are set out on page 68.

New Investments

During the last two years, Hongkong Land has committed over US\$6 billion, being our equity contribution and our share of project level debt, to new projects. The pace of new investments in the coming year will likely moderate compared to the last two years so as to maintain an appropriate capital structure. These investments are and will continue to be funded by a combination of internal resources and external financing from banks and capital markets.

Dividends

The Board is recommending a final dividend of US\$16.00 per share for 2018, providing a total annual dividend of US\$22.00 per share, an increase of 10% over 2017. The final dividend will be payable on 15th May 2019, subject to approval at the Annual General Meeting to be held on 8th May 2019, to shareholders on the register of members at the close of business on 15th March 2019. 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. Appropriate credit guidelines are in place to manage counterparty credit risk.

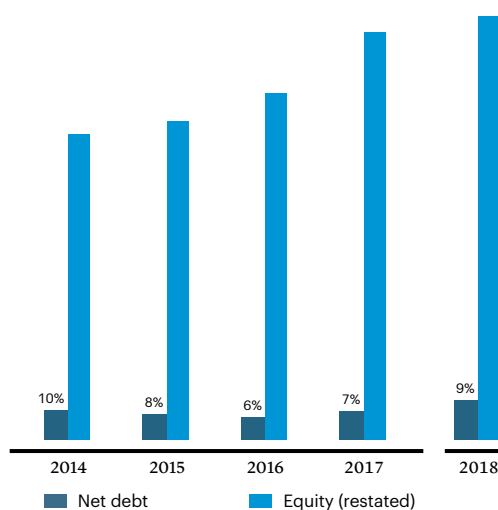
When economically sensible to do so, borrowings are taken in local currencies to hedge foreign currency exposures on investments. A portion of borrowings is denominated in fixed rates. Adequate headroom in committed facilities is maintained to facilitate the Group's capacity to pursue new investment opportunities and to provide some protection against market uncertainties. Overall, the Group's funding arrangements are designed to keep an appropriate balance between equity and debt from banks and capital markets, both short and long term, to give flexibility to develop the business.

The Group's Treasury operations are managed as cost centres and are not permitted to undertake speculative transactions unrelated to underlying financial exposures.

Funding

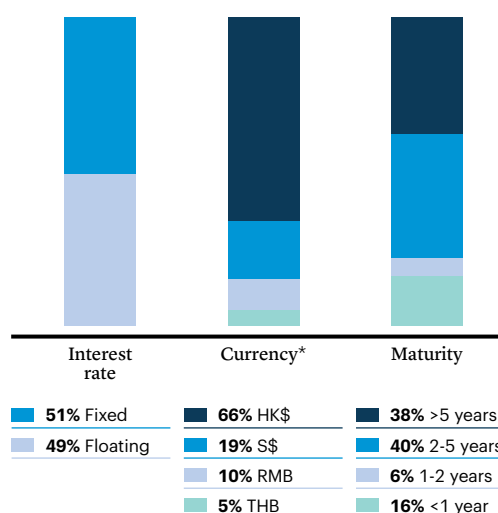
The Group is well financed with strong liquidity. Net gearing was 9% at 31st December 2018, up from 7% at the end of 2017. Interest cover, calculated as the underlying operating profits, including the Group's share of associates and joint ventures' operating profits, divided by net financing charges including the Group's share of associates and joint ventures' net financing charges, was 10.3 times, down from 13.7 times in 2017. The decrease was mainly due to higher levels of debt during the year.

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



Net debt as a percentage of equity

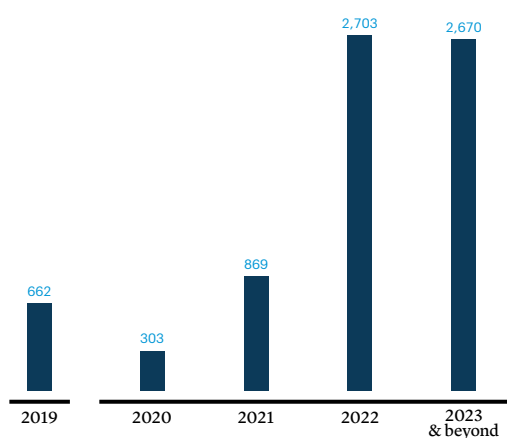
The average tenor of the Group's debt was 6.2 years at 31st December 2018, up from 5.9 years at the end of 2017. Approximately 49% of the Group's borrowings were at floating rates and the remaining 51% were either fixed rate borrowings or covered by interest rate hedges with major credit worthy financial institutions, broadly in line with the end of 2017.



Debt profile at 31st December 2018

* After currency swaps

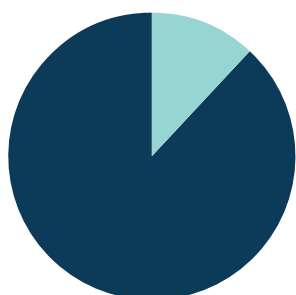
At 31st December 2018, the Group had total committed lines of approximately US\$7.2 billion. Of these lines, 56% were sourced from banks with the remaining 44% from the capital markets. At the end of 2018, the Group had drawn US\$4.9 billion of these lines leaving US\$2.3 billion of committed, but unused, facilities. Adding the Group's year end cash balances, the Group had overall liquidity at 31st December 2018 of US\$3.6 billion, down from US\$4.3 billion at the end of 2017.



Committed facility maturity at 31st December 2018 (US\$m)

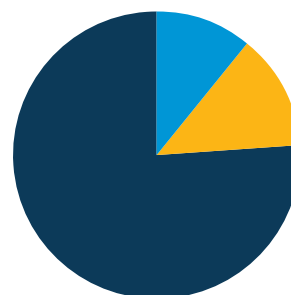
Gross Assets

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



88% Investment Properties
12% Development Properties

Gross assets by activity



76% Hong Kong
13% Southeast Asia
11% Mainland China and Macau

Gross assets by location

Principal Risks and Uncertainties

A review of the principal risks and uncertainties facing the Group is set out on page 85.

Accounting Policies

The Directors continue to review the appropriateness of the accounting policies adopted by the Group with regard to developments in International Financial Reporting Standards. There are no changes to the accounting policies as described in the 2017 annual financial statements except for the adoption of IFRS 9 'Financial Instruments' and IFRS 15 'Revenue from Contracts with Customers' from 1st January 2018. Changes to accounting policies on the adoption of IFRS 9 and IFRS 15 have been applied retrospectively and the comparative financial statements have been restated. The new standard that has had the most significant impact on the Group's underlying profit is IFRS 15, which has changed the Group's revenue recognition in Singapore (excluding executive condominiums, which will continue to be recognised on completion), and the Philippines, from completion to percentage of completion, leading to the earlier recognition of revenue. The effects of adopting these standards are presented in Note 1 to the financial statements.

Simon Dixon

Chief Financial Officer
28th February 2019

Directors' Profiles

Ben Keswick* Chairman and Managing Director

Mr Keswick joined the Board as Managing Director in 2012 and became Chairman in 2013. 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 2012. He has an MBA from INSEAD. Mr Keswick is chairman of Jardine Matheson Limited, Jardine Cycle & Carriage and Yonghui Superstores and a commissioner of Astra. He is also executive chairman and managing director of Jardine Matheson and Jardine Strategic, chairman and managing director of Dairy Farm and Mandarin Oriental, and a director of Jardine Pacific and Jardine Motors.

Robert Wong* Chief Executive

Mr Wong joined the Board as Chief Executive in 2016. He joined the Group in 1985 and has extensive experience in property management and development. As a director of Hongkong Land Limited since 1996, he had prime responsibility for the Group's residential property business. He is a member of both The Royal Institution of Chartered Surveyors and The Hong Kong Institute of Surveyors.

Simon Dixon* Chief Financial Officer

Mr Dixon joined the Board as Chief Financial Officer in 2016. A Chartered Accountant, he joined the Jardine Matheson group in 2006 from PricewaterhouseCoopers. He was previously finance director of Astra, prior to which he was group treasurer of Jardine Matheson from 2006 to 2010.

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.

Mark Greenberg

Mr Greenberg joined the Board in 2006. He is group strategy director of Jardine Matheson. He 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 Permata Bank.

Adam Keswick

Mr Keswick joined the Board in 2012. Having joined Jardine Matheson in 2001, he was appointed to the board in 2007 and was deputy managing director from 2012 to 2016. Mr Keswick is also deputy chairman of Jardine Lloyd Thompson and a director of Dairy Farm, Jardine Strategic and Mandarin Oriental. He is also a director of Ferrari, and vice chairman of the supervisory board of Rothschild & Co.

Simon Keswick

Mr Keswick has been a Director of the Group's holding company since 1983. He was Chairman of the Company from 1983 to 1988 and from 1989 to 2013. He joined the Jardine Matheson group in 1962 and is a director of Dairy Farm, Jardine Matheson, Jardine Strategic and Mandarin Oriental.

Anthony Nightingale

Mr Nightingale joined the Board in 2006 and was Managing Director of the Company from 2006 to 2012. He is also a director of Dairy Farm, Jardine Cycle & Carriage, Jardine Matheson, Jardine Strategic, Mandarin Oriental, Prudential, Schindler, Shui On Land and Vitasoy, and a commissioner of Astra. He is chairperson of The Sailors Home and Missions to Seafarers in Hong Kong.

* Executive Director

Christina Ong

Mrs Ong joined the Board in May 2018. She is co-chairman and senior partner of Allen & Gledhill as well as co-head of its financial services department. She is a director of Oversea-Chinese Banking Corporation, SIA Engineering Company, Singapore Telecommunications and Trailblazer Foundation. She is also a member of the Catalist Advisory Panel and a trustee of The Stephen A. Schwarzman Scholars Trust.

Y.K. Pang

Mr Pang has been a Director of the Company since 2007. He was Chief Executive of the Group from 2007 to 2016. He is deputy managing director of Jardine Matheson, chairman of Jardine Pacific, and chairman and chief executive of Jardine Motors. He previously held a number of senior executive positions in the Jardine Matheson group, which he joined in 1984. Mr Pang is also deputy chairman of Jardine Matheson Limited, and a director of Dairy Farm, Jardine Matheson (China), Jardine Strategic, Mandarin Oriental and Zhongsheng. He is chairman of the General Committee and Executive Committee of the Employers' Federation of Hong Kong, Deputy Chairman of the Hong Kong Management Association and a past chairman of the Hong Kong General Chamber of Commerce.

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 Sir John Major. He is a director of Jardine Strategic, LVMH Moët Hennessy Louis Vuitton, Matheson & Co, and the Northern Trust Corporation. He was previously president of the China-Britain Business Council and chairman of the Singapore-British Business Council. He is an independent member of the House of Lords.

Lord Sassoon, Kt

Lord Sassoon joined the Board in 2013. He began his career at KPMG, before joining SG Warburg (later UBS Warburg) in 1985. From 2002 to 2006 he served as a civil servant in the United Kingdom Treasury, where he had responsibility for financial services and enterprise policy. He subsequently 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 Lloyd Thompson, Jardine Matheson and Mandarin Oriental. He is also chairman of the China-Britain Business Council.

James Watkins

Mr Watkins joined the Board in 2009. He was a director and group general counsel of Jardine Matheson from 1997 to 2003. Mr Watkins qualified as a solicitor in 1969 and was formerly a partner of Linklaters. He is also a director of IL&FS India Realty Fund II 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 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 and Jardine Matheson.

Consolidated Profit and Loss Account

for the year ended 31st December 2018

		2018			2017		
	Note	Underlying business performance US\$m	Non- trading items US\$m	Total US\$m	Underlying business performance US\$m restated	Non- trading items US\$m restated	Total US\$m restated
Revenue	3	2,665.4	–	2,665.4	1,616.1	–	1,616.1
Net operating costs	4	(1,576.1)	20.1	(1,556.0)	(740.2)	51.4	(688.8)
Change in fair value of investment properties	9	–	1,222.4	1,222.4	–	4,677.9	4,677.9
Gain on acquisition of a subsidiary	9	–	–	–	–	3.0	3.0
Operating profit		1,089.3	1,242.5	2,331.8	875.9	4,732.3	5,608.2
Net financing charges	5						
– financing charges		(170.7)	–	(170.7)	(121.3)	–	(121.3)
– financing income		56.4	–	56.4	43.1	–	43.1
		(114.3)	–	(114.3)	(78.2)	–	(78.2)
Share of results of associates and joint ventures	6						
– before change in fair value of investment properties		265.1	–	265.1	301.8	–	301.8
– change in fair value of investment properties	9	–	188.6	188.6	–	(53.1)	(53.1)
		265.1	188.6	453.7	301.8	(53.1)	248.7
Profit before tax		1,240.1	1,431.1	2,671.2	1,099.5	4,679.2	5,778.7
Tax	7	(206.3)	(7.8)	(214.1)	(151.3)	(1.8)	(153.1)
Profit after tax		1,033.8	1,423.3	2,457.1	948.2	4,677.4	5,625.6
Attributable to:							
Shareholders of the Company		1,036.1	1,421.0	2,457.1	946.8	4,667.1	5,613.9
Non-controlling interests		(2.3)	2.3	–	1.4	10.3	11.7
		1,033.8	1,423.3	2,457.1	948.2	4,677.4	5,625.6
		US¢		US¢	US¢		US¢
Earnings per share (basic and diluted)	8	44.24		104.92	40.24		238.61

Consolidated Statement of Comprehensive Income

for the year ended 31st December 2018

	Note	2018 US\$m	2017 US\$m restated
Profit for the year		2,457.1	5,625.6
Other comprehensive (expense)/income			
Items that will not be reclassified to profit or loss:			
Remeasurements of defined benefit plans		(2.6)	2.3
Tax on items that will not be reclassified	7	0.4	(0.4)
		(2.2)	1.9
Items that may be reclassified subsequently to profit or loss:			
Net exchange translation differences			
– net (loss)/gain arising during the year		(197.7)	72.2
– transfer to profit and loss		0.3	11.2
		(197.4)	83.4
Cash flow hedges			
– net loss arising during the year		(2.8)	(27.8)
– transfer to profit and loss		(2.6)	(2.8)
		(5.4)	(30.6)
Tax relating to items that may be reclassified	7	0.9	5.1
Share of other comprehensive (expense)/income of associates and joint ventures		(156.7)	237.2
		(358.6)	295.1
Other comprehensive (expense)/income for the year, net of tax		(360.8)	297.0
Total comprehensive income for the year		2,096.3	5,922.6
Attributable to:			
Shareholders of the Company		2,100.4	5,905.7
Non-controlling interests		(4.1)	16.9
		2,096.3	5,922.6

Consolidated Balance Sheet

at 31st December 2018

	Note	At 31st December		At 1st January
		2018	2017	2017
		US\$m	US\$m	US\$m
		restated	restated	
Net operating assets				
Fixed assets		133.7	106.9	44.9
Investment properties	10	33,712.1	32,481.0	27,712.3
Associates and joint ventures	11	6,694.7	5,578.8	4,485.4
Other investments	12	122.8	103.0	52.2
Non-current debtors	13	24.0	28.5	60.1
Deferred tax assets	14	13.9	15.5	8.7
Pension assets		-	0.1	-
		40,701.2	38,313.8	32,363.6
Non-current assets		40,701.2	38,313.8	32,363.6
Properties for sale	15	1,983.0	2,181.0	1,522.3
Current debtors	13	892.2	712.5	826.1
Current tax assets		11.4	10.6	9.2
Bank balances	16	1,375.2	1,622.1	1,908.9
Current assets		4,261.8	4,526.2	4,266.5
Current creditors	17	(1,337.3)	(1,507.1)	(1,064.4)
Current borrowings	18	(793.8)	(190.6)	(220.7)
Current tax liabilities		(119.4)	(113.5)	(80.0)
Current liabilities		(2,250.5)	(1,811.2)	(1,365.1)
Net current assets		2,011.3	2,715.0	2,901.4
Long-term borrowings	18	(4,145.2)	(3,980.3)	(3,695.7)
Deferred tax liabilities	14	(167.4)	(135.1)	(134.6)
Pension liabilities		(3.3)	-	(1.8)
Non-current creditors	17	(27.1)	(36.9)	(30.3)
		38,369.5	36,876.5	31,402.6
Total equity				
Share capital	19	233.4	235.3	235.3
Share premium		257.3	386.9	386.9
Revenue and other reserves		37,850.8	36,219.6	30,760.4
Shareholders' funds		38,341.5	36,841.8	31,382.6
Non-controlling interests		28.0	34.7	20.0
		38,369.5	36,876.5	31,402.6

Approved by the Board of Directors on 28th February 2019

Ben Keswick
Robert Wong

Directors

Consolidated Statement of Changes in Equity

for the year ended 31st December 2018

	Note	Share capital US\$m	Share premium US\$m	Revenue reserves US\$m	Hedging reserves US\$m	Exchange reserves US\$m	Attributable to shareholders of the Company US\$m	Attributable to non-controlling interests US\$m	Total equity US\$m
2018									
At 1st January									
- as previously reported		235.3	386.9	36,285.8	(7.7)	(126.6)	36,773.7	34.7	36,808.4
- change in accounting policies		-	-	81.2	-	(13.1)	68.1	-	68.1
- as restated		235.3	386.9	36,367.0	(7.7)	(139.7)	36,841.8	34.7	36,876.5
Total comprehensive income		-	-	2,454.9	(1.1)	(353.4)	2,100.4	(4.1)	2,096.3
Dividends paid by the Company	20	-	-	(469.8)	-	-	(469.8)	-	(469.8)
Dividends paid to non-controlling shareholders		-	-	-	-	-	-	(2.6)	(2.6)
Unclaimed dividends forfeited		-	-	0.6	-	-	0.6	-	0.6
Share repurchase		(1.9)	(129.6)	-	-	-	(131.5)	-	(131.5)
At 31st December		233.4	257.3	38,352.7	(8.8)	(493.1)	38,341.5	28.0	38,369.5
2017									
At 1st January									
- as previously reported		235.3	386.9	31,093.6	18.6	(440.0)	31,294.4	20.0	31,314.4
- change in accounting policies		-	-	104.1	-	(15.9)	88.2	-	88.2
- as restated		235.3	386.9	31,197.7	18.6	(455.9)	31,382.6	20.0	31,402.6
Total comprehensive income		-	-	5,615.8	(26.3)	316.2	5,905.7	16.9	5,922.6
Dividends paid by the Company	20	-	-	(447.0)	-	-	(447.0)	-	(447.0)
Dividends paid to non-controlling shareholders		-	-	-	-	-	-	(2.2)	(2.2)
Unclaimed dividends forfeited		-	-	0.5	-	-	0.5	-	0.5
At 31st December		235.3	386.9	36,367.0	(7.7)	(139.7)	36,841.8	34.7	36,876.5

Consolidated Cash Flow Statement

for the year ended 31st December 2018

	Note	2018 US\$m	2017 US\$m restated
Operating activities			
Operating profit		2,331.8	5,608.2
Depreciation	4	4.2	3.0
Change in fair value of investment properties	10	(1,222.4)	(4,677.9)
Change in fair value of other investments	4	(20.1)	(51.4)
Gain on acquisition of a subsidiary		-	(3.0)
Decrease/(increase) in properties for sale		105.9	(424.1)
(Increase)/decrease in debtors		(250.0)	155.9
(Decrease)/increase in creditors		(185.2)	308.2
Interest received		44.8	41.9
Interest and other financing charges paid		(171.7)	(117.8)
Tax paid		(172.1)	(137.2)
Dividends from associates and joint ventures		139.2	94.4
Cash flows from operating activities		604.4	800.2
Investing activities			
Major renovations expenditure		(93.0)	(108.2)
Developments capital expenditure		(57.4)	(105.5)
Acquisition of a subsidiary		-	(42.6)
Investments in and advances to associates and joint ventures		(978.4)	(670.5)
Refund/(payment) of deposit for a joint venture		72.9	(20.1)
Cash flows from investing activities		(1,055.9)	(946.9)
Financing activities			
Drawdown of borrowings		2,721.5	825.1
Repayment of borrowings		(1,883.9)	(586.1)
Dividends paid by the Company		(466.6)	(443.4)
Dividends paid to non-controlling shareholders		(2.5)	(3.8)
Change in interests in subsidiaries		-	15.0
Share repurchase		(131.5)	-
Cash flows from financing activities		237.0	(193.2)
Net cash outflow		(214.5)	(339.9)
Cash and cash equivalents at 1st January		1,616.6	1,898.4
Effect of exchange rate changes		(33.2)	58.1
Cash and cash equivalents at 31st December	21	1,368.9	1,616.6

Notes to the Financial Statements

1 Basis of Preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRS'), including International Accounting Standards ('IAS') and Interpretations adopted by the International Accounting Standards Board. The financial statements have been prepared on a going concern basis and under the historical cost convention except as disclosed in the accounting policies.

Details of the Group's principal accounting policies are included in Note 28.

This is the first set of the Group's annual financial statements in which IFRS 9 'Financial Instruments' and IFRS 15 'Revenue from Contracts with Customers' have been applied. Changes to principal accounting policies are described below. There are no other amendments, which are effective in 2018 and relevant to the Group's operations, that have a significant effect on the Group's accounting policies. The Group has not early adopted any standard, interpretation or amendment that have been issued but not yet effective.

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 2.

Changes in principal accounting policies

The Group has adopted the following new accounting standards from 1st January 2018:

IFRS 9 Financial Instruments

Under IFRS 9, the gains and losses arising from changes in fair value of the Group's investments in equity securities, previously classified as available-for-sale, have been recognised in profit and loss, instead of through other comprehensive income. Such fair value gains or losses on revaluation of these investments are classified as non-trading items, and do not have any impact on the Group's underlying profit attributable to shareholders and shareholders' funds.

The new hedge accounting rules, which align the accounting for hedging instruments closely with the Group's risk management practices, has no significant impact to the Group.

IFRS 9 also requires the Group to consider expected credit losses on all financial assets and amended disclosures are required in the financial statements. No provision has been recognised by the Group as at 31st December 2018.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes a comprehensive framework for the recognition of revenue. It replaces IAS 11 'Construction Contracts' and IAS 18 'Revenue' which covers contracts for goods and services. The core principle in the framework is that revenue is recognised when control of a good or service transfers to a customer. The new standard mainly changes the Group's revenue recognition on certain property sales, from the completion method to the percentage of completion method. This will lead to earlier recognition of revenue when compared to the current completion method.

Changes to accounting policies on adoption of IFRS 9 and 15 have been applied retrospectively, and the comparative financial statements have been restated.

1 Basis of Preparation continued**Changes in principal accounting policies** continued

The effects of adopting IFRS 9 and IFRS 15 were as follows:

- (i) On the consolidated profit and loss account for the year ended 31st December 2017:

	Increase/(decrease) in profit upon adopting	
	IFRS 9 US\$m	IFRS 15 US\$m
Revenue	-	(343.7)
Net operating costs	51.4	312.0
Share of results of associates and joint ventures	-	3.3
Tax	-	5.5
Profit attributable to shareholders of the Company*	51.4	(22.9)
* Further analysed as:		
Underlying profit attributable to shareholders	-	(22.9)
Non-trading items	51.4	-
Profit attributable to shareholders	51.4	(22.9)
Underlying earnings per share (US¢)	-	(0.97)
Earnings per share (US¢)	2.19	(0.97)

- (ii) On the consolidated statement of comprehensive income for the year ended 31st December 2017:

	Increase/(decrease) in total comprehensive income upon adopting	
	IFRS 9 US\$m	IFRS 15 US\$m
Profit for the year	51.4	(22.9)
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss:		
Net exchange translation differences		
- net gain arising during the year	-	2.8
Revaluation of other investments at fair value through other comprehensive income	(51.4)	-
Other comprehensive income for the year, net of tax	(51.4)	2.8
Total attributable to shareholders of the Company	-	(20.1)

1 Basis of Preparation continued

Changes in principal accounting policies continued

(iii) On the balance sheet at 1st January:

	Increase/(decrease) upon adopting					
	IFRS 9		IFRS 15		Total	
	2018 US\$m	2017 US\$m	2018 US\$m	2017 US\$m	2018 US\$m	2017 US\$m
Assets						
Associates and joint ventures	-	-	28.0	24.7	28.0	24.7
Properties for sale	-	-	(353.6)	(695.1)	(353.6)	(695.1)
Current debtors	-	-	214.1	345.8	214.1	345.8
Total assets	-	-	(111.5)	(324.6)	(111.5)	(324.6)
Equity						
Revenue and other reserves	-	-	68.1	88.2	68.1	88.2
Liabilities						
Deferred tax liabilities	-	-	8.2	13.1	8.2	13.1
Current creditors	-	-	(187.8)	(425.9)	(187.8)	(425.9)
Total liabilities	-	-	(179.6)	(412.8)	(179.6)	(412.8)
Total equity and liabilities	-	-	(111.5)	(324.6)	(111.5)	(324.6)

2 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 Investment Properties and Development Properties. No operating segments have been aggregated to form the reportable segments. Set out below is an analysis of the Group's underlying profit and total equity by reportable segment.

	2018				2017			
	Investment Properties US\$m	Development Properties US\$m	Corporate US\$m	Total US\$m	Investment Properties US\$m	Development Properties US\$m	Corporate US\$m	Total US\$m
Revenue	1,124.4	1,541.0	-	2,665.4	1,049.0	567.1	-	1,616.1
Net operating costs	(221.5)	(1,283.1)	(71.5)	(1,576.1)	(197.5)	(474.9)	(67.8)	(740.2)
Share of operating profit of associates and joint ventures	141.0	323.9	-	464.9	136.4	421.1	-	557.5
Underlying operating profit	1,043.9	581.8	(71.5)	1,554.2	987.9	513.3	(67.8)	1,433.4
Net financing charges								
- subsidiaries				(114.3)				(78.2)
- share of associates and joint ventures				(37.3)				(26.2)
				(151.6)				(104.4)
Tax								
- subsidiaries				(206.3)				(151.3)
- share of associates and joint ventures				(145.5)				(216.2)
				(351.8)				(367.5)
Non-controlling interests								
- subsidiaries				2.3				(1.4)
- share of associates and joint ventures				(17.0)				(13.3)
				(14.7)				(14.7)
Underlying profit attributable to shareholders				1,036.1				946.8
Non-trading items:								
- change in fair value of investment properties				1,400.9				4,612.7
- change in fair value of other investments				20.1				51.4
- gain on acquisition of a subsidiary				-				3.0
				1,421.0				4,667.1
Profit attributable to shareholders				2,457.1				5,613.9

2 Segmental Information continued

	Revenue		Underlying operating profit		Underlying profit attributable to shareholders	
	2018	2017	2018	2017	2018	2017
	US\$m	US\$m	US\$m	US\$m	US\$m	US\$m
By geographical location						
Hong Kong and Macau	1,042.6	1,001.5	902.0	860.3	902.0	860.3
Mainland China	620.6	301.0	424.4	455.1	396.8	433.4
Southeast Asia and others	1,002.2	313.6	299.3	185.8	298.6	184.7
Corporate, net financing charges and tax	-	-	(71.5)	(67.8)	(561.3)	(531.6)
	2,665.4	1,616.1	1,554.2	1,433.4	1,036.1	946.8

	Segment assets			Segment liabilities US\$m	Unallocated assets and liabilities US\$m	Total assets and liabilities US\$m
	Investment properties US\$m	Properties for sale and contracts assets US\$m	Others US\$m			
By business						
2018						
Investment Properties	38,515.4	-	367.3	(716.0)	-	38,166.7
Development Properties	-	6,210.3	731.9	(1,743.3)	-	5,198.9
Unallocated assets and liabilities	-	-	-	-	(4,996.1)	(4,996.1)
	38,515.4	6,210.3	1,099.2	(2,459.3)	(4,996.1)	38,369.5
2017						
Investment Properties	36,813.0	-	478.3	(695.7)	-	36,595.6
Development Properties	-	5,343.2	519.4	(1,851.0)	-	4,011.6
Unallocated assets and liabilities	-	-	-	-	(3,730.7)	(3,730.7)
	36,813.0	5,343.2	997.7	(2,546.7)	(3,730.7)	36,876.5
By geographical location						
2018						
Hong Kong and Macau	32,740.9	30.1	285.9	(494.6)	-	32,562.3
Mainland China	1,132.2	4,420.4	506.5	(1,633.0)	-	4,426.1
Southeast Asia and others	4,642.3	1,759.8	306.8	(331.7)	-	6,377.2
Unallocated assets and liabilities	-	-	-	-	(4,996.1)	(4,996.1)
	38,515.4	6,210.3	1,099.2	(2,459.3)	(4,996.1)	38,369.5
2017						
Hong Kong and Macau	31,488.0	30.1	274.3	(434.8)	-	31,357.6
Mainland China	1,014.8	3,807.3	277.1	(1,454.6)	-	3,644.6
Southeast Asia and others	4,310.2	1,505.8	446.3	(657.3)	-	5,605.0
Unallocated assets and liabilities	-	-	-	-	(3,730.7)	(3,730.7)
	36,813.0	5,343.2	997.7	(2,546.7)	(3,730.7)	36,876.5

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

3 Revenue

	2018	2017
	US\$m	US\$m
Rental income	982.7	911.7
Service income	149.6	140.3
Sales of properties		
– recognised at a point in time	1,318.6	292.5
– recognised over time	214.5	271.6
	1,533.1	564.1
	2,665.4	1,616.1

Total contingent rents included in rental income amounted to US\$15.5 million (2017: US\$8.8 million).

The future minimum rental payments receivable under non-cancellable leases are as follows:

	2018	2017
	US\$m	US\$m
Within one year	887.9	821.8
Between one and two years	646.8	618.2
Between two and five years	815.1	727.9
Beyond five years	303.6	321.6
	2,653.4	2,489.5

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

Contract balances

Contract assets primarily relate to the Group's rights to consideration for work completed but not billed and costs recognised to fulfil future performance obligations on existing contracts that have not yet been satisfied. Costs to fulfil are recognised in profit and loss when the related revenue is recognised. Contract assets are transferred to receivables when the rights become unconditional which usually occurs when the customers are billed.

Costs to obtain contracts include costs such as sale commissions and stamp duty paid, as a result of obtaining contracts. The Group has capitalised these costs and recognised in the profit and loss when the related revenue is recognised.

Contract liabilities primarily relate to the advance consideration received from customers relating to properties for sale for which revenue is recognised over time.

3 Revenue continued

Contract balances continued

Contract assets and contract liabilities relating to properties for sale are further analysed as follows:

	2018 US\$m	2017 US\$m
Contract assets (see Note 13)	316.1	214.1
Contract liabilities (see Note 17)	(312.2)	(584.2)

Increases in contract assets and liabilities during the year were in line with the growth of the Group's contracted sales.

Contract assets include costs to fulfil of US\$239.6 million (2017: US\$155.6 million). Costs to fulfil of US\$173.8 million (2017: US\$228.9 million) have been recognised in profit and loss during the year.

Costs to obtain contracts of US\$23.2 million (2017: US\$6.2 million) have been recognised in profit and loss during the year.

Revenue recognised in relation to contract liabilities

Revenue recognised in the current year relating to carried forward contract liabilities:

	2018 US\$m	2017 US\$m
Properties for sale	549.6	155.2

Revenue expected to be recognised on unsatisfied contracts with customers

The timing of revenue to be recognised on unsatisfied performance obligations relating to properties for sale at 31st December 2018:

	US\$m
Within one year	700.8
Between one and two years	98.3
Between two and three years	100.0
	899.1

As permitted under the transitional provisions in IFRS 15, the transaction price allocated to unsatisfied performance obligations at 31st December 2017 is not disclosed.

4 Net Operating Costs

	2018	2017
	US\$m	US\$m
Cost of sales	(1,429.4)	(621.5)
Other income	27.6	17.0
Administrative expenses	(174.3)	(135.7)
Change in fair value of other investments	20.1	51.4
	(1,556.0)	(688.8)
The following credits/(charges) are included in net operating costs:		
Cost of properties for sale recognised as expense	(1,231.5)	(442.4)
Operating expenses arising from investment properties	(197.9)	(179.1)
Depreciation of tangible fixed assets	(4.2)	(3.0)
Employee benefit expense		
– salaries and benefits in kind	(153.6)	(122.1)
– defined contribution pension plans	(1.6)	(1.6)
– defined benefit pension plans	(1.8)	(1.6)
	(157.0)	(125.3)
Auditors' remuneration		
– audit	(1.8)	(1.6)
– non-audit services	(0.3)	(0.5)
	(2.1)	(2.1)

The number of employees at 31st December 2018 was 2,090 (2017: 1,883).

5 Net Financing Charges

	2018 US\$m	2017 US\$m
Interest expense		
– bank loans and overdrafts	(58.8)	(28.3)
– other borrowings	(117.5)	(107.7)
Total interest expense	(176.3)	(136.0)
Interest capitalised	10.4	32.1
	(165.9)	(103.9)
Commitment and other fees and exchange differences	(4.8)	(17.4)
Financing charges	(170.7)	(121.3)
Financing income	56.4	43.1
	(114.3)	(78.2)

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

6 Share of Results of Associates and Joint Ventures

	2018 US\$m	2017 US\$m
By business		
Investment Properties	77.8	82.1
Development Properties	187.3	219.7
Underlying business performance	265.1	301.8
Non-trading items:		
Change in fair value of investment properties	188.6	(53.1)
	453.7	248.7

Results are shown after tax and non-controlling interests in the associates and joint ventures.

The Group's share of revenue of associates and joint ventures was US\$1,083.8 million (2017: US\$1,337.5 million).

7 Tax

Tax charged to profit and loss is analysed as follows:

	2018 US\$m	2017 US\$m
Current tax	(177.0)	(168.0)
Deferred tax		
– changes in fair value of investment properties	(7.8)	(1.8)
– other temporary differences	(29.3)	16.7
	(37.1)	14.9
	(214.1)	(153.1)
Reconciliation between tax expense and tax at applicable tax rate:		
Tax at applicable tax rate	(385.4)	(927.1)
Change in fair value of investment properties not taxable in determining taxable profit	195.6	773.4
Income not subject to tax	26.7	31.0
Expenses not deductible in determining taxable profit	(17.2)	(7.3)
Withholding tax	(13.4)	(4.6)
Land appreciation tax in mainland China	(14.6)	(19.6)
Tax losses arising in the year not recognised	(7.2)	(4.1)
Others	1.4	5.2
	(214.1)	(153.1)
Tax relating to components of other comprehensive income is analysed as follows:		
Remeasurements of defined benefit plans	0.4	(0.4)
Cash flow hedges	0.9	5.1
	1.3	4.7

The applicable tax rate for the year of 17.4% (2017: 16.8%) represents the weighted average of the rates of taxation prevailing in the territories in which the Group operates.

Share of tax charge of associates and joint ventures of US\$214.0 million (2017: US\$194.8 million) is included in share of results of associates and joint ventures.

8 Earnings per Share

Earnings per share are calculated on profit attributable to shareholders of US\$2,457.1 million (2017: US\$5,613.9 million) and on the weighted average number of 2,341.8 million (2017: 2,352.8 million) shares in issue during the year.

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

	2018		2017	
	US\$m	Earnings per share US¢	US\$m	Earnings per share US¢
Underlying profit attributable to shareholders	1,036.1	44.24	946.8	40.24
Non-trading items (see Note 9)	1,421.0		4,667.1	
Profit attributable to shareholders	2,457.1	104.92	5,613.9	238.61

9 Non-trading Items

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

	2018 US\$m	2017 US\$m
Change in fair value of investment properties	1,222.4	4,677.9
Deferred tax on change in fair value of investment properties	(7.8)	(1.8)
Change in fair value of other investments	20.1	51.4
Gain on acquisition of a subsidiary	-	3.0
Share of results of associates and joint ventures		
- change in fair value of investment properties	257.1	(74.5)
- deferred tax	(68.5)	21.4
	188.6	(53.1)
Non-controlling interests	(2.3)	(10.3)
	1,421.0	4,667.1

10 Investment Properties

	Completed commercial properties US\$m	Under development commercial properties US\$m	Completed residential properties US\$m	Total US\$m
2018				
At 1st January	32,174.1	46.9	260.0	32,481.0
Exchange differences	(108.6)	–	(0.7)	(109.3)
Additions	115.4	2.3	0.3	118.0
Increase/(decrease) in fair value	1,204.6	(1.8)	19.6	1,222.4
	<u>33,385.5</u>	<u>47.4</u>	<u>279.2</u>	<u>33,712.1</u>
At 31st December				<u>33,712.1</u>
Freehold properties				166.1
Leasehold properties				33,546.0
				<u>33,712.1</u>
2017				
At 1st January	26,665.6	804.2	242.5	27,712.3
Exchange differences	(170.9)	48.4	(0.6)	(123.1)
Additions	68.3	145.6	–	213.9
Transfer	990.7	(990.7)	–	–
Increase in fair value	4,620.4	39.4	18.1	4,677.9
	<u>32,174.1</u>	<u>46.9</u>	<u>260.0</u>	<u>32,481.0</u>
At 31st December				<u>32,481.0</u>
Freehold properties				170.1
Leasehold properties				32,310.9
				<u>32,481.0</u>

The Group measures its investment properties at fair value. The fair values of the Group's investment properties at 31st December 2018 and 2017 have been determined on the basis of valuations carried out by independent valuers who hold a recognised relevant professional qualification and have recent experience in the locations and segments of the investment properties valued. The Group employed Jones Lang LaSalle to value its commercial investment properties in Hong Kong, mainland China, 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 Council and the HKIS Valuation Standards 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 89. The valuations are comprehensively reviewed by the Group.

At 31st December 2018, investment properties of US\$880.9 million (2017: US\$898.7 million) were pledged as security for borrowings (see Note 18).

10 Investment Properties continued

Fair value measurements of residential properties using no significant unobservable inputs

Fair values of completed residential properties are generally derived using the direct comparison method. This valuation method is based on comparing the property to be valued directly with other comparable properties, which have recently transacted. However, given the heterogeneous nature of real estate properties, appropriate adjustments are usually required to allow for any qualitative differences that may affect the price likely to be achieved by the property under consideration.

Fair value measurements of commercial properties using significant unobservable inputs

Fair values of completed commercial properties in Hong Kong and Singapore are generally derived using the income capitalisation method. This valuation method is based on the capitalisation of the net income and reversionary income potential by adopting appropriate capitalisation rates, which are derived from analysis of sale transactions and valuers' interpretation of prevailing investor requirements or expectations. The prevailing market rents adopted in the valuation have reference to valuers' view of recent lettings, within the subject properties and other comparable properties.

Fair values of completed commercial properties in Vietnam and Cambodia are generally derived using the discounted cash flow method. The net present value of the income stream is estimated by applying an appropriate discount rate which reflects the risk profile.

Fair values of under development commercial properties are generally derived using the residual method. This valuation method is essentially a means of valuing the land by reference to its development potential by deducting development costs together with developer's profit and risk from the estimated capital value of the proposed development assuming completion as at the date of valuation.

The Group's policy is to recognise transfers between fair value measurements as of the date of the event or change in circumstances that caused the transfer.

Information about fair value measurements using significant unobservable inputs at 31st December 2018:

	Fair value US\$m	Valuation method	Range of significant unobservable inputs	
			Prevailing market rent per month US\$	Capitalisation/ discount rate %
Completed properties				
Hong Kong	31,784.0	Income capitalisation	5.6 to 37.1 per square foot	2.75 to 5.00
Mainland China	880.9	Income capitalisation	93.8 per square metre	3.75
Singapore	583.4	Income capitalisation	7.5 to 8.6 per square foot	3.50 to 4.80
Vietnam and Cambodia	137.2	Discounted cash flow	21.0 to 44.5 per square metre	12.50 to 15.00
Total	33,385.5			

Prevailing market rents are estimated based on independent valuers' view of recent lettings, within the subject properties and other comparable properties. The higher the rents, the higher the fair value.

Capitalisation and discount rates are estimated by independent valuers based on the risk profile of the properties being valued. The lower the rates, the higher the fair value.

11 Associates and Joint Ventures

	2018	2017
	US\$m	US\$m
Unlisted associates	199.9	306.2
Unlisted joint ventures	6,494.8	5,272.6
	6,694.7	5,578.8
By business		
Investment Properties	3,908.4	3,517.4
Development Properties	2,786.3	2,033.4
	6,694.7	5,550.8

	Associates		Joint ventures	
	2018	2017	2018	2017
	US\$m	US\$m	US\$m	US\$m

Movements of associates and joint ventures during the year:

At 1st January				
– as previously reported	306.2	123.9	5,244.6	4,336.8
– change in accounting policies (see Note 1)	–	–	28.0	24.7
	306.2	123.9	5,272.6	4,361.5
Exchange differences	10.1	0.6	(48.3)	25.9
Share of results after tax and non-controlling interests	16.7	84.7	437.0	164.0
Share of other comprehensive (expense)/income after tax and non-controlling interests	(30.2)	24.3	(126.5)	212.9
Dividends received and receivable	(1.5)	(0.9)	(139.8)	(94.3)
Investments in and advances to/(repayments from) associates and joint ventures	(101.4)	73.6	1,099.8	627.2
Acquisition of a subsidiary	–	–	–	15.9
Transfer to subsidiary on further acquisition of interest	–	–	–	(41.2)
Others	–	–	–	0.7
At 31st December	199.9	306.2	6,494.8	5,272.6

The material joint ventures of the Group are listed below. These joint ventures have share capital consisting solely of ordinary shares, which are held directly by the Group.

Nature of investments in material joint ventures in 2018 and 2017:

Name of entity	Nature of business	Country of incorporation/ principal place of business	% of ownership interest	
			2018	2017
Properties Sub F, Ltd	Property investment	Macau	49.0	49.0
BFC Development LLP	Property investment	Singapore	33.3	33.3
Central Boulevard Development Pte Ltd	Property investment	Singapore	33.3	33.3
One Raffles Quay Pte Ltd	Property investment	Singapore	33.3	33.3

11 Associates and Joint Ventures continued

Summarised financial information for material joint ventures

Set out below are the summarised financial information for the Group's material joint ventures.

Summarised balance sheet at 31st December:

	Properties Sub F, Ltd US\$m	BFC Development LLP US\$m	Central Boulevard Development Pte Ltd US\$m	One Raffles Quay Pte Ltd US\$m
2018				
Non-current assets	1,379.9	3,682.6	2,848.0	2,804.0
Current assets				
Cash and cash equivalents	64.7	13.7	18.8	6.8
Other current assets	35.7	1.1	1.4	3.5
Total current assets	100.4	14.8	20.2	10.3
Non-current liabilities				
Financial liabilities (excluding trade payables)	-	(1,247.9)	(1,180.6)	(763.7)
Other non-current liabilities (including trade payables)	(147.0)	-	(20.2)	(205.4)
Total non-current liabilities	(147.0)	(1,247.9)	(1,200.8)	(969.1)
Current liabilities				
Financial liabilities (excluding trade payables)	-	(0.4)	(4.4)	(1.3)
Other current liabilities (including trade payables)	(47.4)	(60.5)	(35.1)	(41.0)
Total current liabilities	(47.4)	(60.9)	(39.5)	(42.3)
Net assets	1,285.9	2,388.6	1,627.9	1,802.9
2017				
Non-current assets	1,373.2	3,627.6	2,797.3	2,767.4
Current assets				
Cash and cash equivalents	25.2	12.9	16.9	11.8
Other current assets	29.5	1.9	5.4	2.1
Total current assets	54.7	14.8	22.3	13.9
Non-current liabilities				
Financial liabilities (excluding trade payables)	-	(1,274.9)	(1,211.1)	(777.5)
Other non-current liabilities (including trade payables)	(145.5)	-	(20.9)	(200.4)
Total non-current liabilities	(145.5)	(1,274.9)	(1,232.0)	(977.9)
Current liabilities				
Financial liabilities (excluding trade payables)	-	(0.7)	(6.3)	(3.6)
Other current liabilities (including trade payables)	(47.2)	(62.1)	(35.3)	(48.6)
Total current liabilities	(47.2)	(62.8)	(41.6)	(52.2)
Net assets	1,235.2	2,304.7	1,546.0	1,751.2

11 Associates and Joint Ventures continued

Summarised statement of comprehensive income for the year ended 31st December:

	Properties Sub F, Ltd US\$m	BFC Development LLP US\$m	Central Boulevard Development Pte Ltd US\$m	One Raffles Quay Pte Ltd US\$m
2018				
Revenue	87.1	157.8	109.8	111.6
Depreciation and amortisation	(8.0)	-	-	-
Interest income	0.1	0.2	0.2	0.2
Interest expense	(0.5)	(46.5)	(31.8)	(24.6)
	<u>44.1</u>	<u>72.6</u>	<u>49.6</u>	<u>60.7</u>
Profit from underlying business performance	44.1	72.6	49.6	60.7
Income tax expense	(5.2)	(12.3)	(8.2)	(10.4)
	<u>38.9</u>	<u>60.3</u>	<u>41.4</u>	<u>50.3</u>
Profit after tax from underlying business performance	38.9	60.3	41.4	50.3
Profit after tax from non-trading items	13.1	131.5	109.7	85.1
	<u>52.0</u>	<u>191.8</u>	<u>151.1</u>	<u>135.4</u>
Profit after tax	52.0	191.8	151.1	135.4
Other comprehensive expense	(2.2)	(35.7)	(26.6)	(33.9)
	<u>49.8</u>	<u>156.1</u>	<u>124.5</u>	<u>101.5</u>
Total comprehensive income	49.8	156.1	124.5	101.5
Group's share of dividends received and receivable from joint ventures	18.4	24.1	14.2	16.6
	<u>18.4</u>	<u>24.1</u>	<u>14.2</u>	<u>16.6</u>
2017				
Revenue	81.3	150.7	109.4	118.2
Depreciation and amortisation	(7.6)	-	-	-
Interest income	-	0.1	0.2	0.1
Interest expense	(0.4)	(38.5)	(28.2)	(21.6)
	<u>40.7</u>	<u>78.4</u>	<u>54.5</u>	<u>70.3</u>
Profit from underlying business performance	40.7	78.4	54.5	70.3
Income tax expense	(4.8)	(13.2)	(8.7)	(11.9)
	<u>35.9</u>	<u>65.2</u>	<u>45.8</u>	<u>58.4</u>
Profit after tax from underlying business performance	35.9	65.2	45.8	58.4
Profit after tax from non-trading items	13.2	57.7	43.5	33.3
	<u>49.1</u>	<u>122.9</u>	<u>89.3</u>	<u>91.7</u>
Profit after tax	49.1	122.9	89.3	91.7
Other comprehensive income/(expense)	(10.1)	169.7	114.5	128.2
	<u>39.0</u>	<u>292.6</u>	<u>203.8</u>	<u>219.9</u>
Total comprehensive income	39.0	292.6	203.8	219.9
Group's share of dividends received and receivable from joint ventures	9.7	21.4	23.5	19.6
	<u>9.7</u>	<u>21.4</u>	<u>23.5</u>	<u>19.6</u>

The information contained in the summarised balance sheets and statements of comprehensive income reflect the amounts presented in the financial statements of the joint ventures adjusted for differences in accounting policies between the Group and the joint ventures, and fair value of the joint ventures at the time of acquisition.

11 Associates and Joint Ventures continued

Reconciliation of summarised financial information

Reconciliation of the summarised financial information presented to the carrying amount of the Group's interest in the material joint ventures for the year ended 31st December:

	Properties Sub F, Ltd US\$m	BFC Development LLP US\$m	Central Boulevard Development Pte Ltd US\$m	One Raffles Quay Pte Ltd US\$m
2018				
Net assets	1,285.9	2,388.6	1,627.9	1,802.9
Shareholders' loans	–	1,247.9	–	104.2
Adjusted net assets	1,285.9	3,636.5	1,627.9	1,907.1
Interest in joint ventures (%)	49.0	33.3	33.3	33.3
Group's share of net assets in joint ventures	630.1	1,212.2	542.6	635.7
2017				
Net assets	1,235.2	2,304.7	1,546.0	1,751.2
Shareholders' loans	–	1,274.9	–	100.8
Adjusted net assets	1,235.2	3,579.6	1,546.0	1,852.0
Interest in joint ventures (%)	49.0	33.3	33.3	33.3
Group's share of net assets in joint ventures	605.4	1,193.2	515.3	617.4

The Group has interests in a number of individually immaterial joint ventures. The following table analyses, in aggregate, the share of profit and other comprehensive income and carrying amount of these joint ventures.

	2018 US\$m	2017 US\$m
Share of profit	252.0	38.6
Share of other comprehensive income/(expense)	(93.6)	80.3
Share of total comprehensive income	158.4	118.9
Carrying amount of interests in these joint ventures	3,474.2	2,313.3

At 31st December 2018, the Group's commitments to provide funding to its joint ventures, if called, amounted to US\$1,314.7 million (2017: US\$1,293.6 million).

There were no contingent liabilities relating to the Group's interest in the joint ventures at 31st December 2018 and 2017.

12 Other Investments

	2018	2017
	US\$m	US\$m
Listed securities measured at fair value through profit and loss	122.8	103.0

13 Debtors

	2018	2017
	US\$m	US\$m
Trade debtors	86.3	84.8
Contract assets (see Note 3)	316.1	214.1
Other debtors		
– third parties	468.7	400.5
– associates and joint ventures	45.1	41.6
	916.2	741.0
Non-current	24.0	28.5
Current	892.2	712.5
	916.2	741.0
By geographical area of operation		
Hong Kong and Macau	111.2	117.1
Mainland China	336.5	144.8
Southeast Asia and others	468.5	479.1
	916.2	741.0

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

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 and an allowance for impairment is made based on the estimated irrecoverable amount determined by reference to past default experience.

The Group applied the simplified approach to measure expected credit loss, that is a lifetime expected loss allowance for trade debtors and contract assets. To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade debtors for the same types of contracts. The Group has therefore concluded that the expected loss rates for trade debtors are a reasonable approximation of the loss rates for the contract assets.

The expected loss rates are based on the historical payment profiles of sales and the corresponding historical credit losses. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors and industry trends affecting the ability of the customers to settle the receivables.

13 Debtors continued

On that basis, the loss allowance as at 31st December 2018 and 2017 based on the ageing of trade debtors and contract assets:

	Below 30 days US\$m	Between 31 and 60 days US\$m	Between 61 and 120 days US\$m	More than 120 days US\$m	Total US\$m
2018					
Expected loss rate (%)	-	-	-	-	-
Gross carrying amount – trade debtors	85.1	0.9	0.3	-	86.3
Gross carrying amount – contract assets	316.1	-	-	-	316.1
Loss allowance	-	-	-	-	-
2017					
Expected loss rate (%)	-	-	-	-	-
Gross carrying amount – trade debtors	82.4	0.6	0.4	1.4	84.8
Gross carrying amount – contract assets	214.1	-	-	-	214.1
Loss allowance	-	-	-	-	-

Trade debtors, contract assets and other debtors are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group.

Other debtors are further analysed as follows:

	2018 US\$m	2017 US\$m
Costs to obtain contracts (see Note 3)	6.8	23.9
Prepayments	326.5	270.6
Derivative financial instruments	8.1	14.5
Amounts due from associates and joint ventures	45.1	41.6
Others	127.3	91.5
	513.8	442.1

14 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
2018					
At 1st January					
- as previous reported	0.5	(80.2)	(3.6)	(28.1)	(111.4)
- change in accounting policies (see Note 1)	-	-	-	(8.2)	(8.2)
- as restated	0.5	(80.2)	(3.6)	(36.3)	(119.6)
Exchange differences	-	0.1	0.2	1.6	1.9
Credited/(charged) to profit and loss	0.8	(8.1)	(7.8)	(22.0)	(37.1)
Credited to other comprehensive income	-	-	-	1.3	1.3
At 31st December	1.3	(88.2)	(11.2)	(55.4)	(153.5)
Deferred tax assets	1.3	-	-	12.6	13.9
Deferred tax liabilities	-	(88.2)	(11.2)	(68.0)	(167.4)
	1.3	(88.2)	(11.2)	(55.4)	(153.5)
2017					
At 1st January					
- as previous reported	0.1	(75.4)	(1.7)	(35.8)	(112.8)
- change in accounting policies (see Note 1)	-	-	-	(13.1)	(13.1)
- as restated	0.1	(75.4)	(1.7)	(48.9)	(125.9)
Exchange differences	-	0.6	(0.1)	(3.3)	(2.8)
Credited/(charged) to profit and loss	0.4	(5.4)	(1.8)	21.7	14.9
Credited to other comprehensive income	-	-	-	4.7	4.7
Acquisition of a subsidiary	-	-	-	(10.5)	(10.5)
At 31st December	0.5	(80.2)	(3.6)	(36.3)	(119.6)
Deferred tax assets	0.5	-	-	15.0	15.5
Deferred tax liabilities	-	(80.2)	(3.6)	(51.3)	(135.1)
	0.5	(80.2)	(3.6)	(36.3)	(119.6)

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\$10.9 million (2017: US\$5.0 million) arising from unused tax losses of US\$48.6 million (2017: US\$17.9 million) have not been recognised in the financial statements. Included in the unused tax losses, US\$9.4 million (2017: US\$6.6 million) have no expiry date and the balance will expire at various dates up to and including 2023.

15 Properties for Sale

	2018 US\$m	2017 US\$m
Properties under development	1,839.1	2,020.8
Completed properties	157.2	173.5
	1,996.3	2,194.3
Provision for impairment	(13.3)	(13.3)
	1,983.0	2,181.0

At 31st December 2018, properties under development which were not scheduled for completion within the next 12 months amounted to US\$1,420.3 million (2017: US\$1,032.2 million).

16 Bank Balances

	2018 US\$m	2017 US\$m
Deposits with banks and financial institutions	1,244.6	1,345.1
Bank balances	130.6	277.0
	1,375.2	1,622.1
By currency		
Chinese renminbi	552.3	182.7
Hong Kong dollar	15.8	38.5
Malaysian ringgit	29.9	25.8
Singapore dollar	288.9	620.0
United States dollar	486.1	753.3
Others	2.2	1.8
	1,375.2	1,622.1

Deposits and bank balances of certain subsidiaries amounting to US\$88.4 million (2017: US\$45.6 million) are held under the Housing Developers (Project Account) Rules in Singapore, withdrawals from which are subject to the provision of these Rules.

The weighted average interest rate on deposits with banks and financial institutions is 2.5% (2017: 1.4%) per annum.

17 Creditors

	2018	2017
	US\$m	US\$m
Trade creditors	511.0	482.0
Other creditors	235.0	185.9
Tenants' deposits	266.5	253.5
Derivative financial instruments	17.7	16.3
Rent received in advance	22.0	22.1
Contract liabilities – properties for sale (see Note 3)	312.2	584.2
	1,364.4	1,544.0
Non-current	27.1	36.9
Current	1,337.3	1,507.1
	1,364.4	1,544.0
By geographical area of operation		
Hong Kong and Macau	524.6	462.0
Mainland China	693.9	680.1
Southeast Asia and others	145.9	401.9
	1,364.4	1,544.0

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.

18 Borrowings

	2018		2017	
	Carrying amount US\$m	Fair value US\$m	Carrying amount US\$m	Fair value US\$m
Current				
Bank overdrafts	6.3	6.3	5.5	5.5
Bank loans	154.8	154.8	5.0	5.0
Current portion of long-term borrowings				
– bank loans	530.6	530.6	180.1	180.1
– notes	102.1	103.4	–	–
	793.8	795.1	190.6	190.6
Long-term				
Bank loans	1,106.4	1,106.4	1,127.0	1,127.0
Notes	3,038.8	3,117.9	2,853.3	2,975.1
	4,145.2	4,224.3	3,980.3	4,102.1
	4,939.0	5,019.4	4,170.9	4,292.7
Secured	822.4		392.9	
Unsecured	4,116.6		3,778.0	
	4,939.0		4,170.9	

18 Borrowings continued

The fair values are based on market prices or are estimated using the expected future payments discounted at market interest rates ranging from 1.8% to 7.7% (2017: 1.5% to 6.5%) per annum. This is in line with the definition of 'observable current market transactions' under the fair value measurement hierarchy. The fair value of current borrowings approximates their carrying amounts, as the impact of discounting is not significant.

Secured borrowings at 31st December 2018 and 2017 were certain subsidiaries' bank borrowings which were secured against their investment properties.

The movements in borrowings are as follows:

	Bank overdrafts US\$m	Long-term borrowings US\$m	Short-term borrowings US\$m	Total US\$m
2018				
At 1st January	5.5	3,980.3	185.1	4,170.9
Exchange differences	-	(55.0)	(8.9)	(63.9)
Transfer	-	(514.0)	514.0	-
Change in fair value	-	(6.4)	-	(6.4)
Change in bank overdrafts	0.8	-	-	0.8
Drawdown of borrowings	-	2,397.1	324.4	2,721.5
Repayment of borrowings	-	(1,656.8)	(227.1)	(1,883.9)
At 31st December	<u>6.3</u>	<u>4,145.2</u>	<u>787.5</u>	<u>4,939.0</u>
2017				
At 1st January	10.5	3,695.7	210.2	3,916.4
Exchange differences	-	22.6	1.3	23.9
Transfer	-	(180.3)	180.3	-
Change in fair value	-	(2.9)	(0.5)	(3.4)
Change in bank overdrafts	(5.0)	-	-	(5.0)
Drawdown of borrowings	-	817.7	7.4	825.1
Repayment of borrowings	-	(372.5)	(213.6)	(586.1)
At 31st December	<u>5.5</u>	<u>3,980.3</u>	<u>185.1</u>	<u>4,170.9</u>

18 Borrowings continued

The borrowings are further summarised as follows:

	Weighted average interest rates %	Fixed rate borrowings		Floating rate borrowings US\$m	Total US\$m
		Weighted average period outstanding Years	US\$m		
By currency					
2018					
Hong Kong dollar	4.0	7.1	2,176.8	1,065.3	3,242.1
Singapore dollar	2.9	7.3	359.8	592.3	952.1
Chinese renminbi	4.9	-	-	479.0	479.0
Thai baht	2.3	-	-	261.5	261.5
Others	6.0	-	-	4.3	4.3
			2,536.6	2,402.4	4,939.0
2017					
Hong Kong dollar	3.6	7.6	1,987.8	1,165.4	3,153.2
Singapore dollar	2.5	2.2	188.8	430.6	619.4
Chinese renminbi	4.9	-	-	392.9	392.9
Others	2.4	-	-	5.4	5.4
			2,176.6	1,994.3	4,170.9

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:

	2018 US\$m	2017 US\$m
Floating rate borrowings	2,402.4	1,994.3
Fixed rate borrowings		
- within one year	102.1	-
- between one and two years	237.3	102.3
- between two and three years	-	239.8
- between three and four years	265.5	-
- between four and five years	243.9	265.3
- beyond five years	1,687.8	1,569.2
	2,536.6	2,176.6
	4,939.0	4,170.9

18 Borrowings continued

An analysis of the carrying amount of notes at 31st December is as follows:

	Maturity	2018		2017
		Current US\$m	Non-current US\$m	Non-current US\$m
Medium term notes				
HK\$200m 10-year notes at 4.135%	2019	25.5	–	25.5
HK\$300m 10-year notes at 4.1875%	2019	38.3	–	38.4
HK\$300m 10-year notes at 4.25%	2019	38.3	–	38.4
HK\$500m 10-year notes at 4.22%	2020	–	64.8	66.2
HK\$500m 10-year notes at 4.24%	2020	–	63.8	63.9
S\$150m 10-year notes at 3.43%	2020	–	109.7	112.0
HK\$500m 10-year notes at 3.95%	2020	–	63.8	63.9
HK\$500m 12-year notes at 4.28%	2021	–	65.3	66.4
HK\$410m 10-year notes at 3.86%	2022	–	52.1	52.2
US\$500m 10-year notes at 4.50%*	2022	–	488.3	488.7
HK\$305m 10-year notes at 3.00%	2022	–	38.8	38.8
HK\$200m 10-year notes at 2.90%	2022	–	25.5	25.5
HK\$1,100m 10-year notes at 3.95%	2023	–	139.9	140.0
HK\$300m 10-year notes at 3.95%	2023	–	38.1	38.2
US\$400m 10-year notes at 4.625%*	2024	–	399.6	402.7
HK\$300m 15-year notes at 4.10%	2025	–	38.2	38.3
US\$600m 15-year notes at 4.50%*	2025	–	610.5	611.9
HK\$302m 15-year notes at 3.75%	2026	–	38.3	38.3
HK\$785m 15-year notes at 4.00%	2027	–	98.9	99.0
HK\$473m 15-year notes at 4.04%	2027	–	60.3	60.4
HK\$200m 15-year notes at 3.95%	2027	–	25.5	25.5
HK\$300m 15-year notes at 3.15%	2028	–	37.8	37.9
HK\$325m 15-year notes at 4.22%	2028	–	41.2	41.3
HK\$450m 10-year notes at 3.83%	2028	–	57.3	–
HK\$355m 10-year notes at 3.75%	2028	–	45.1	–
HK\$400m 15-year notes at 4.40%	2029	–	50.5	50.5
HK\$800m 20-year notes at 4.11%	2030	–	102.2	102.3
HK\$200m 20-year notes at 4.125%	2031	–	25.2	25.2
HK\$240m 20-year notes at 4.00%	2032	–	30.1	30.1
HK\$700m 15-year notes at 4.12%	2033	–	88.6	–
S\$150m 20-year notes at 3.95%	2038	–	107.6	–
HK\$250m 30-year notes at 5.25%	2040	–	31.8	31.8
		102.1	3,038.8	2,853.3

* Listed on the Singapore Exchange.

19 Share Capital

	Ordinary shares in millions		2018	2017
	2018	2017	US\$m	US\$m
Authorised				
Shares of US\$0.10 each	4,000.0	4,000.0	400.0	400.0
Issued and fully paid				
At 1st January	2,352.8	2,352.8	235.3	235.3
Repurchased	(18.9)	-	(1.9)	-
At 31st December	2,333.9	2,352.8	233.4	235.3

20 Dividends

	2018	2017
	US\$m	US\$m
Final dividend in respect of 2017 of US¢14.00 (2016: US¢13.00) per share	329.4	305.8
Interim dividend in respect of 2018 of US¢6.00 (2017: US¢6.00) per share	140.4	141.2
	469.8	447.0

A final dividend in respect of 2018 of US¢16.00 (2017: US¢14.00) per share amounting to a total of US\$373.4 million (2017: US\$329.4 million) is proposed by the Board. The dividend proposed will not be accounted for until it has been approved at the 2019 Annual General Meeting. The amount will be accounted for as an appropriation of revenue reserves in the year ending 31st December 2019.

21 Cash and Cash Equivalents

	2018	2017
	US\$m	US\$m
Bank balances (see Note 16)	1,375.2	1,622.1
Bank overdrafts (see Note 18)	(6.3)	(5.5)
	1,368.9	1,616.6

22 Derivative Financial Instruments

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

	2018		2017	
	Positive fair value US\$m	Negative fair value US\$m	Positive fair value US\$m	Negative fair value US\$m
Designated as cash flow hedges				
– interest rate swaps	–	1.2	–	–
– cross currency swaps	2.6	6.7	4.8	7.7
	2.6	6.7	4.8	7.7
Designated as fair value hedges				
– interest rate swaps	1.5	–	2.5	–
– cross currency swaps	4.0	9.8	7.2	8.6
	4.0	9.8	7.2	8.6

Interest rate swaps

The notional principal amounts of the outstanding interest rate swap contracts designated as fair value hedges at 31st December 2018 were US\$63.9 million (2017: US\$64.0 million).

The notional principal amounts of the outstanding interest rate swap contracts designated as cash flow hedges at 31st December 2018 were US\$65.9 million (2017: Nil).

The fair values of interest rate swaps are based on the estimated cash flows discounted at market rates ranging from 1.9% to 2.3% (2017: 1.3% to 2.0%) per annum.

Cross currency swaps

The contract amounts of the outstanding cross currency swap contracts at 31st December 2018 were US\$1,644.8 million (2017: US\$1,647.9 million).

23 Commitments

	2018 US\$m	2017 US\$m
Capital commitments		
Authorised not contracted	4.5	23.4
Contracted not provided		
– contributions to joint ventures	1,314.7	1,293.6
– others	75.3	48.6
	1,390.0	1,342.2
	1,394.5	1,365.6
Operating lease commitments		
Due within one year	5.3	3.5
Due between one and two years	3.7	2.5
Due between two and five years	2.6	3.8
	11.6	9.8

24 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.

25 Related Party Transactions

The parent company of the Group is Jardine Strategic Holdings Limited and the ultimate holding company is Jardine Matheson Holdings Limited ('JM'). 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 JM ('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 2018 was US\$5.2 million (2017: US\$4.9 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 JM.

Property and other services

The Group rented properties to Jardine Matheson group members. Gross rents on such properties in 2018 amounted to US\$24.9 million (2017: US\$21.2 million).

Jardine Matheson group members provided property maintenance and other services to the Group in 2018 in aggregate amounting to US\$55.8 million (2017: US\$63.9 million).

Hotel management services

Jardine Matheson group members provided hotel management services to the Group in 2018 amounting to US\$3.6 million (2017: US\$3.4 million).

Outstanding balances with associates and joint ventures

Amounts of outstanding balances with associates and joint ventures are included in debtors and creditors as appropriate (see Notes 13 and 17). The amounts are not material.

Directors' emoluments

Details of Directors' emoluments (being the key management personnel compensation) are shown on page 81 under the heading of 'Directors' Appointment, Retirement, Remuneration and Service Contracts'.

26 Summarised Balance Sheet of the Company

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

	2018 US\$m	2017 US\$m
Net operating assets		
Investments at cost		
Unlisted shares in subsidiaries	4,481.7	4,481.7
Amounts due from subsidiaries	969.7	1,473.8
	5,451.4	5,955.5
Creditors and other accruals	(29.4)	(26.8)
	5,422.0	5,928.7
Total equity		
Share capital (see Note 19)	233.4	235.3
Revenue and other reserves		
Contributed surplus	2,249.6	2,249.6
Share premium	257.3	386.9
Revenue reserves	2,681.7	3,056.9
	5,188.6	5,693.4
Shareholders' funds	5,422.0	5,928.7

Subsidiaries are shown at cost less amounts provided.

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

27 Principal Subsidiaries, Associates and Joint Ventures

The principal subsidiaries, associates and joint ventures of the Group at 31st December 2018 are set out below.

	Ownership interest		Issued share capital	Main activities	Place of incorporation
	2018 %	2017 %			
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
The Hongkong Land Company, Ltd	100	100	HKD	1,293,180,006	Investment holding Hong Kong
The Hongkong Land Property Company, Ltd	100	100	HKD	200	Property investment Hong Kong
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 (HK) Investments Ltd	100	100	HKD	3,981,407,003	Investment holding Hong Kong
Mulberry Land Company Ltd	100	100	HKD	200	Property investment Hong Kong
Hongkong Land (Chongqing) Development Co Ltd	100	100	USD	479,990,000	Property development Mainland China
Hongkong Land (Chongqing North) Development Co Ltd	100	100	HKD	3,980,000,000	Property development Mainland China
Hongkong Land (Chongqing) Investment and Holding Co Ltd	100	100	USD	1,409,990,000	Investment holding Mainland China
Hongkong Land (Chongqing) Xincheng Development Co Ltd	100	100	RMB	640,000,000	Property development Mainland China
Wangfu Central Real Estate Development Co Ltd	84	84	RMB	3,500,000,000	Property investment Mainland China
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 Treasury Services (Singapore) Pte Ltd	100	100	SGD	2	Finance Singapore
MCL Land Limited	100	100	SGD	511,736,041	Investment holding Singapore
MCL Land (Brighton) Pte Ltd	100	100	SGD	1,000,000	Property development Singapore
MCL Land (Everbright) Pte Ltd	100	100	SGD	4,000,000	Property development Singapore
MCL Land (Regency) Pte Ltd	100	100	SGD	3,000,000	Property development Singapore
MCL Land (Vantage) Pte Ltd	100	100	SGD	1,000,000	Property development Singapore

* Owned directly

27 Principal Subsidiaries, Associates and Joint Ventures continued

	Ownership interest		Issued share capital	Main activities	Place of incorporation
	2018 %	2017 %			
Subsidiaries continued					
Hongkong Land (Premium Development) Ltd	100	100	Riels	4,000,000	Property investment Cambodia
Golden Quantum Acres Sdn Bhd	100	100	MYR	2,764,210	Property development Malaysia
MCL Land (Century Gardens) Sdn Bhd	100	100	MYR	29,117,145	Property development Malaysia
MCL Land (Pantai View) Sdn Bhd	100	100	MYR	28,000,000	Property investment Malaysia
MCL Land (Malaysia) Sdn Bhd	100	100	MYR	4,010,000	Property development Malaysia
Central Building Ltd	65	65	USD	1,991,547	Property investment Vietnam
Doan Ket International Co Ltd	73.9	73.9	USD	7,292,000	Property investment Vietnam
HKL (Treasury Services) Ltd	100	100	USD	1	Finance British Virgin Islands
The Hongkong Land Notes Co Ltd	100	100	USD	2	Finance British Virgin Islands
The Hongkong Land Finance (Cayman Islands) Co Ltd	100	100	USD	2	Finance Cayman Islands
Associates and joint ventures					
Normelle Estates Ltd	50	50	HKD	10,000	Property investment Hong Kong
Properties Sub F, Ltd	49	49	MOP	1,000,000	Property investment Macau
Beijing Landmark Trinity Real Estate Development Co Ltd	30	30	RMB	2,800,000,000	Property development Mainland China
Beijing Premium Real Estate Ltd	40	40	USD	12,000,000	Property development Mainland China
Chongqing Central Park Co Ltd	50	50	HKD	4,640,000,000	Property development Mainland China
Chongqing Lijia Development Co Ltd	50	50	RMB	20,000,000	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
Hangzhou Kesheng Property Development Co Ltd	30	30	RMB	50,000,000	Property development Mainland China
Hangzhou Keyi Property Development Co Ltd	30	30	RMB	50,000,000	Property development Mainland China
Longfor Hongkong Land (Chongqing) Development Co Ltd	50	50	RMB	1,275,920,000	Property development Mainland China
Longhu Land Ltd	50	50	USD	27,000,000	Property development Mainland China

27 Principal Subsidiaries, Associates and Joint Ventures continued

	Ownership interest		Issued share capital	Main activities	Place of incorporation	
	2018 %	2017 %				
Associates and joint ventures continued						
Nanjing Shengxiangyuan Property Development Co Ltd	33	33	RMB	30,000,000	Property development	Mainland China
Shanghai Xinqiaogao Development Co Ltd	26.7	–	RMB	50,000,000	Property development	Mainland China
Shanghai Xujing Property Co Ltd	50	50	RMB	4,200,000,000	Property development	Mainland China
Wuhan Dream Land Investment and Development Co Ltd	50	50	RMB	1,200,000,000	Property development	Mainland China
BFC Development LLP	33.3	33.3	SGD	N/A	Property investment	Singapore
Central Boulevard Development Pte Ltd	33.3	33.3	SGD	6	Property investment	Singapore
One Raffles Quay Pte Ltd	33.3	33.3	SGD	6	Property investment	Singapore
Asia Radiant Pte Ltd	50.0	–	SGD	1	Property development	Singapore
PT Astra Modern Land	33.5	33.5	IDR	3,870,000,000,000	Property development	Indonesia
PT Award Global Infinity	50.0	–	IDR	27,241,940	Property development	Indonesia
PT Brahmayasa Bahtera	40	40	IDR	166,000,000,000	Property development	Indonesia
PT Bumi Parama Wisesa	49	49	IDR	1,950,000,000,000	Property development	Indonesia
PT Jakarta Land	50	50	IDR	3,320,000,000	Property investment	Indonesia
Sunrise MCL Land Sdn Bhd	50	50	MYR	2,000,000	Property development	Malaysia
Roxas Land Corporation	40	40	Peso	3,133,000,000	Property development	The Philippines
Central and Hongkong Land Co Ltd	49	–	THB	199,450,000	Property development	Thailand
PFHKL 1 Co Ltd	49	–	THB	5,000,000	Property development	Thailand
PFHKL 2 Co Ltd	49	–	THB	5,000,000	Property development	Thailand
PFHKL 3 Co Ltd	49	–	THB	5,000,000	Property development	Thailand
Gaysorn Land Co Ltd	49	49	THB	61,250,000	Property investment	Thailand
S36 Property Co Ltd	49	49	THB	800,000,000	Property development	Thailand
Nassim JV Co Ltd	50	50	VND	286,200,000,000	Property development	Vietnam
Ndc An Khang Joint Stock Co	70	–	VND	2,861,000,000,000	Property development	Vietnam
Thu Thiem River Park Real Estate Investment Joint Stock Co	64	–	VND	510,514,500,000	Property development	Vietnam
Jardine Gibbons Properties Ltd	40	40	BD	600,000 'A' 400,000 'B'	Property investment	Bermuda

28 Principal Accounting Policies

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) A subsidiary is an entity over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

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. The Group recognises the non-controlling interest's proportionate share of the recognised identifiable net assets of the acquired subsidiary. In a business combination achieved in stages, the Group remeasures its previously held interest in the acquiree at its acquisition-date fair value and recognises the resulting gain or loss in profit and loss. Changes in a parent's ownership interest in a subsidiary that do not result in the loss of control are accounted for as equity transactions. When control over a previous subsidiary is lost, any remaining interest in the entity is remeasured at fair value and the resulting gain or loss is recognised in profit and loss.

All material intercompany transactions, balances and unrealised surpluses and deficits on transactions between Group companies have been eliminated.

- iii) An associate is an entity, not being a subsidiary or joint venture, over which the Group exercises significant influence. A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

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 and joint ventures are recognised in the consolidated financial statements only to the extent of unrelated investor's interests in the associates and joint ventures.

- 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.

28 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 other investments measured at fair value through other comprehensive income are recognised in other comprehensive income as part of the gains and losses arising from changes in their fair value. All other exchange differences are recognised in profit and loss.

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

Impairment 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.

Goodwill

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.

Leasehold land

Leasehold land represents payments to third parties to acquire short-term interests in property. These payments are stated at cost and are amortised over the useful life of the lease which includes the renewal period if the lease can be renewed by the Group without significant cost.

28 Principal Accounting Policies continued

Tangible fixed assets and depreciation

Long-term interests in leasehold land are classified as finance leases and grouped under tangible fixed assets if substantially all risks and rewards relating to the land have been transferred to the Group, and are amortised over the useful life of the lease. Grants related to tangible assets are deducted in arriving at the carrying amount of the assets. The building component of owner-occupied leasehold properties are stated at cost less accumulated depreciation and impairment. Other tangible fixed assets are stated at cost less amounts provided for 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
Leasehold land	period of the lease

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

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

Investment properties

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

Investments

The Group classifies its investments into the following measurement categories:

- (i) Those to be measured subsequently at fair value, either through other comprehensive income or through profit and loss; and
- (ii) Those to be measured at amortised cost.

The classification is based on the management's business model and their contractual cash flows characteristics.

Equity investments are measured at fair value with fair value gains and losses recognised in profit and loss, unless management has elected to recognise the fair value gains and losses through other comprehensive income. For equity investments measured at fair value through other comprehensive income, gains or losses realised upon disposal are not reclassified to profit and loss.

At initial recognition, the Group measures an investment at its fair value plus, in the case of the investment not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the investment. Transaction costs of financial assets carried at fair value through profit and loss are expensed in profit and loss.

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 investments.

Investments are classified as non-current assets, unless in the case of debt investments with maturities less than 12 months after the balance sheet date, are classified as current assets.

28 Principal Accounting Policies continued

Leases

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

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 are recognised initially at the amount of consideration that is unconditional and measured subsequently at amortised cost using the effective interest method. A contract asset arises if the Group has a right to consideration in exchange for goods or services the Group has transferred to a customer, that is conditional on something other than the passage of time. All other debtors, excluding derivative financial instruments, are measured at amortised cost except where the effect of discounting would be immaterial. For trade debtors and contract assets, the Group applied the simplified approach as permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the debtors. Provision for impairment is established by considering potential financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments. 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 12 months after the balance sheet date are classified under non-current assets.

Cash and cash equivalents

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

Provisions

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

Borrowings and borrowing costs

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

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 12 months after the balance sheet date.

28 Principal Accounting Policies continued

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 arising from experience adjustments and changes in actuarial assumptions are recognised in other comprehensive income in the year in which they occur. Past service costs are recognised immediately in profit and loss.

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

Derivative financial instruments

The Group only enters into derivative financial instruments in order to hedge underlying exposures and not as speculative investments. 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.

At inception of the hedge relationship, the Group documents the economic relationship between hedging instruments and hedged items including whether changes in the cash flows of the hedging instruments are expected to offset changes in the cash flows of hedged items. The Group documents its risk management objective and strategy for undertaking its hedge transactions.

28 Principal Accounting Policies *continued*

Derivative financial instruments *continued*

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. The gain or loss relating to the effective portion of interest rate swaps hedging fixed rate borrowings is recognised in profit and loss within finance costs, together with changes in the fair value of the hedged fixed rate borrowings attributable to interest rate risk. The gain or loss relating to the ineffective portion is recognised in profit and loss. 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 hedged item results in the recognition of a non-financial asset or of a non-financial liability, the deferred gains and losses are included in the initial measurement of the cost of the asset or liability. The deferred amounts are ultimately recognised in profit and loss as the hedged item affects profit and loss. 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. The gain or loss relating to the effective portion of the interest rate swaps hedging variable rate borrowings is recognised in profit and loss within finance cost at the same time as the interest expense on the hedged borrowings. 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 IFRS 9. Changes in the fair value of any derivative instruments that do not qualify for hedge accounting under IFRS 9 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 12 months after the balance sheet date.

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

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 and equity investments which are measured at fair value through profit and loss; 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

Earnings per share are calculated on profit attributable to shareholders and on the weighted average number of shares in issue during the year.

28 Principal Accounting Policies continued

Dividends

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

Revenue recognition

i) Properties for sale

Revenue from properties for sale is recognised when or as the control of the property is transferred to the customer. Revenue consists of the fair value of the consideration received and receivable, net of value added tax, rebates and discounts. Proceeds received in advance for pre-sale are recorded as contract liabilities. Depending on the terms of the contract and the laws that apply to the contract, control of the property may transfer over time or at a point in time.

If control of the property transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the property.

The progress towards complete satisfaction of the performance obligation is measured based on the Group's efforts or inputs to the satisfaction of the performance obligation, by reference to the contract costs incurred up to the end of reporting period as a percentage of total estimated costs for each contract.

For properties for sale under development and sales contract for which the control of the property is transferred at a point in time, revenue is recognised when the customer obtains the physical possession or the legal title of the completed property and the Group has present right to payment and the collection of the consideration is probable.

ii) Investment properties

Rental income from investment properties are accounted for on an accrual basis over the lease terms.

iii) Service income

Revenue from property management service and hospitality service are recognised when services are performed provided that the amount can be measured reliably.

Pre-operating costs

Pre-operating costs are expensed as they are incurred.

29 Standards and Amendments Issued but Not Yet Effective

A number of new standards and amendments, which are effective for accounting periods beginning after 2018, have been published and will be adopted by the Group from their effective dates. An assessment of the impact of the standards and amendments, that are relevant and have a material impact to the Group, is set out below.

IFRS 16 Leases (effective from 1st January 2019)

The standard replaces IAS 17 Leases and related interpretations and introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. The distinction between operating and finance leases is removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding lease liability have to be recognised on the balance sheet for all leases by lessees, except for leases with a term of less than 12 months or with low-value. The accounting for lessors will not change significantly.

IFRS 16 will affect primarily the accounting for the Group's operating leases. The Group will apply IFRS 16 based on a full retrospective approach from 1st January 2019.

The Group is in the final stage of its implementation projects. Based on the current assessment, it is estimated that the change in accounting for the Group's operating leases will result in the recognition of right-of-use assets of US\$11 million and lease liabilities of US\$11 million as at 31st December 2018. The impact to the Group's underlying profit attributable to shareholders for the year ended 31st December 2018, shareholders' funds and gearing as at 31st December 2018 are insignificant.

30 Financial Risk Management

Financial risk factors

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

The Group's treasury function co-ordinates, under the directions of the board of Hongkong Land Limited, financial risk management policies and their implementation on a group-wide basis. The Group's treasury policies are designed to manage the financial impact of fluctuations in interest rates and foreign exchange rates and to minimise the Group's financial risks. The Group uses derivative financial instruments, principally interest rate swaps, cross-currency swaps and forward foreign exchange contracts as appropriate for hedging transactions and managing the Group's assets and liabilities in accordance with the Group's financial risk management policies. Financial derivative contracts are executed between third party banks and the Group entity that is directly exposed to the risk being hedged. Hedge accounting is applied to remove the accounting mismatch between the hedging instrument and the hedged item. The effective portion of the change in the fair value of the hedging instrument is deferred into the cash flow hedge reserve through other comprehensive income and will be recognised in profit and loss when the hedged item affects profit and loss. This will effectively result in recognising interest expense at a fixed interest rate for the hedged loans.

Hedge effectiveness is determined at the inception of the hedge relationship, and through periodic prospective effectiveness assessments to ensure that an economic relationship exists between the hedged item and hedging instrument.

For hedges of foreign currency purchases, the Group enters into hedge relationships where the critical terms of the hedging instrument match exactly with the terms of the hedged item. The Group therefore performs a qualitative assessment of effectiveness. If changes in circumstances affect the terms of the hedged item such that the critical terms no longer match exactly with the critical terms of the hedging instrument, the Group uses the hypothetical derivative method to assess effectiveness.

In hedges of foreign currency purchases, ineffectiveness may arise if the timing of the forecast transaction changes from what was originally estimated, or if there are changes in the credit risk of the Group or the derivative counterparty.

The Group enters into interest rate swaps that have similar critical terms as the hedged item, such as reference rate, reset dates, payment dates, maturities and notional amount. The Group does not hedge 100% of its loans, therefore the hedged item is identified as a proportion of the outstanding loans up to the notional amount of the swaps. As all critical terms matched during the year, the economic relationship was approximately 100% effective.

Hedge ineffectiveness for interest rate swaps is assessed using the same principles as for hedges of foreign currency purchases. It may occur due to: (i) the credit value/debit value adjustment on the interest rate swaps which is not matched by the loan; and (ii) differences in critical terms between the interest rate swaps and loans.

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 entities 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.

30 Financial Risk Management *continued*

Financial risk factors *continued*

i) Market risk *continued*

Foreign exchange risk continued

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 2018, there are no significant monetary balances held by group companies that are denominated in a non-functional currency other than the cross-currency swap contracts with contract amounts of US\$1,645 million (2017: US\$1,648 million). 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.

Interest rate risk

The Group is exposed to interest rate risk through the impact of rate changes on interest bearing liabilities and assets. These exposures are managed partly by using natural hedges that arise from offsetting interest rate sensitive assets and liabilities, and partly through fixed rate borrowings and 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 2018, the Group's interest rate hedge was 51% (2017: 52%) with an average tenor of seven years (2017: seven years). The interest rate profile of the Group's borrowings after taking into account hedging transactions are set out in Note 18.

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

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 rates to floating rates, to maintain the Group's fixed rate instruments within the Group's guideline.

At 31st December 2018, 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\$2 million (2017: US\$3 million) higher/lower and hedging reserve would have been US\$49 million (2017: US\$55 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, mainland China 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.

30 Financial Risk Management *continued*

Financial risk factors *continued*

i) Market risk *continued*

Price risk

The Group is exposed to securities price risk because of its equity investments which are measured at fair value through profit and loss. Gains and losses arising from changes in the fair value of these investments are recognised in profit and loss. The performance of these investments are monitored regularly, together with an assessment of their relevance to the Group's long term strategic plans. Details of these investments are contained in Note 12.

The Group's interest in these investments are unhedged. At 31st December 2018, if the price of these investments had been 25% higher/lower with all other variables held constant, total equity would have been US\$31 million (2017: US\$26 million) higher/lower and would be reflected in operating profit as non-trading items. The sensitivity analysis has been determined based on a reasonable expectation of possible valuation volatility over the next 12 months.

ii) Credit risk

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

The Group manages its deposits with banks and financial institutions and transactions involving derivative financial instruments by monitoring credit ratings and capital adequacy ratios of counterparties, and limiting the aggregate risk to any individual counterparty. The utilisation of credit limits is regularly monitored. 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 leased 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.

30 Financial Risk Management continued

Financial risk factors continued

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 2018, total committed and uncommitted borrowing facilities amounted to US\$7,759 million (2017: US\$7,040 million) of which US\$4,939 million (2017: US\$4,171 million) was drawn down. Undrawn committed facilities, in the form of revolving credit and term loan facilities, totalled US\$2,532 million (2017: US\$2,668 million). Undrawn uncommitted facilities in the form of revolving credit and term loan facilities, amounted to US\$288 million (2017: US\$201 million).

The following table 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 flows US\$m
2018							
Borrowings	847.5	566.1	461.1	1,537.0	332.6	2,184.3	5,928.6
Creditors	732.2	8.5	0.2	2.0	0.2	2.9	746.0
Gross settled derivative financial instruments							
- inflow	150.1	132.3	68.0	556.0	45.5	1,051.9	2,003.8
- outflow	149.1	132.3	66.0	547.4	41.6	1,052.9	1,989.3
2017							
Borrowings	395.4	452.6	518.1	546.4	1,149.2	2,160.2	5,221.9
Creditors	645.8	12.2	6.5	0.2	0.2	3.0	667.9
Gross settled derivative financial instruments							
- inflow	73.9	150.2	132.4	68.0	556.3	1,097.9	2,078.7
- outflow	65.0	145.0	128.2	60.5	544.8	1,088.5	2,032.0

30 Financial Risk Management continued**Capital management**

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

The Group actively and regularly reviews and manages its capital structure to ensure optimal capital structure and shareholder returns, taking into consideration the future capital requirements of the Group and capital efficiency, prevailing and projected profitability, projected operating cash flows, projected capital expenditures and projected strategic investment opportunities. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, purchase Group shares, return capital to shareholders, issue new shares or sell assets to reduce debt. The Group does not have a defined dividend policy or share repurchase plan.

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 and the Group's share of underlying operating profit of 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 2018 and 2017 are as follows:

	2018	2017
Gearing ratio (%)	9	7
Interest cover (times)	10	14

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 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 derivative financial instruments are determined using rates quoted by the Group's bankers at the balance sheet date. The rates for interest rate swaps and forward foreign exchange contracts are calculated by reference to market interest rates and foreign exchange rates.

There were no changes in valuation techniques during the year.

30 Financial Risk Management continued

Fair value estimation continued

i) Financial instruments that are measured at fair value continued

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	Total US\$m
2018			
Assets			
Other investments			
– equity investments	122.8	–	122.8
Derivative designated at fair value			
– through other comprehensive income	–	2.6	2.6
– through profit and loss	–	5.5	5.5
	<u>122.8</u>	<u>8.1</u>	<u>130.9</u>
Liabilities			
Derivative designated at fair value			
– through other comprehensive income	–	(7.9)	(7.9)
– through profit and loss	–	(9.8)	(9.8)
	<u>–</u>	<u>(17.7)</u>	<u>(17.7)</u>
2017			
Assets			
Other investments			
– equity investments	103.0	–	103.0
Derivative designated at fair value			
– through other comprehensive income	–	4.8	4.8
– through profit and loss	–	9.7	9.7
	<u>103.0</u>	<u>14.5</u>	<u>117.5</u>
Liabilities			
Derivative designated at fair value			
– through other comprehensive income	–	(7.7)	(7.7)
– through profit and loss	–	(8.6)	(8.6)
	<u>–</u>	<u>(16.3)</u>	<u>(16.3)</u>

There were no transfers among the two categories during the year ended 31st December 2018 and 2017.

30 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

The fair values of financial assets and financial liabilities, together with carrying amounts at 31st December 2018 and 2017 are as follows:

	Fair value of hedging instruments US\$m	Fair value through profit and loss US\$m	Financial assets at amortised costs US\$m	Other financial liabilities US\$m	Total carrying amount US\$m	Fair value US\$m
2018						
Financial assets measured at fair value						
Other investments						
– equity investments	–	122.8	–	–	122.8	122.8
Derivative financial instruments	8.1	–	–	–	8.1	8.1
	8.1	122.8	–	–	130.9	130.9
Financial assets not measured at fair value						
Debtors	–	–	258.7	–	258.7	258.7
Bank balances	–	–	1,375.2	–	1,375.2	1,375.2
	–	–	1,633.9	–	1,633.9	1,633.9
Financial liabilities measured at fair value						
Derivative financial instruments	(17.7)	–	–	–	(17.7)	(17.7)
Financial liabilities not measured at fair value						
Borrowings	–	–	–	(4,939.0)	(4,939.0)	(5,019.4)
Trade and other payable excluding non-financial liabilities	–	–	–	(746.0)	(746.0)	(746.0)
	–	–	–	(5,685.0)	(5,685.0)	(5,765.4)

30 Financial Risk Management continued

Fair value estimation continued

Financial instruments by category continued

	Fair value of hedging instruments US\$m	Fair value through profit and loss US\$m	Financial assets at amortised costs US\$m	Other financial liabilities US\$m	Total carrying amount US\$m	Fair value US\$m
2017						
Financial assets measured at fair value						
Other investments						
– equity investments	-	103.0	-	-	103.0	103.0
Derivative financial instruments	14.5	-	-	-	14.5	14.5
	<u>14.5</u>	<u>103.0</u>	<u>-</u>	<u>-</u>	<u>117.5</u>	<u>117.5</u>
Financial assets not measured at fair value						
Debtors	-	-	217.9	-	217.9	217.9
Bank balances	-	-	1,622.1	-	1,622.1	1,622.1
	<u>-</u>	<u>-</u>	<u>1,840.0</u>	<u>-</u>	<u>1,840.0</u>	<u>1,840.0</u>
Financial liabilities measured at fair value						
Derivative financial instruments	(16.3)	-	-	-	(16.3)	(16.3)
Financial liabilities not measured at fair value						
Borrowings	-	-	-	(4,170.9)	(4,170.9)	(4,292.7)
Trade and other payable excluding non-financial liabilities	-	-	-	(667.9)	(667.9)	(667.9)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>(4,838.8)</u>	<u>(4,838.8)</u>	<u>(4,960.6)</u>

31 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.

On initial acquisition or acquisition of further interests in an entity, an assessment of the level of control or influence exercised by the Group is required. For entities where the Group has a shareholding of less than 50%, an assessment of the Group's level of voting rights, board representation and other indicators of influence is performed to consider whether the Group has de facto control, requiring consolidation of that entity, or significant influence, requiring classification as an associate, or joint control, requiring classification as a joint venture.

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. For investment properties in Hong Kong, mainland China and Singapore, capitalisation rates in the range of 2.75% to 3.50% for office (2017: 2.75% to 3.50%) and 3.75% to 5.00% for retail (2017: 3.75% to 5.00%) 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.

The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the balance sheet date (see Note 13).

31 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 gain 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.

Revenue recognition

The Group uses the percentage of completion method to account for its contract revenue of certain development properties sales. The stage of completion is measured by reference to the contract costs incurred to date compared to the estimated total costs for the contract. Significant assumptions are required to estimate the total contract costs and the recoverable variation works that affect the stage of completion and the contract revenue respectively. In making these estimates, management has relied on past experience and the work of specialists.

For other contracts with customers which include multiple deliverables, the separate performance obligations are identified. The transaction price is then allocated to each performance obligation based on their stand-alone selling prices. From time to time, when a stand-alone selling price may not be directly observable, the Group estimated the selling price using expected costs of rendering such services and adding an appropriate margin.

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.

Independent Auditors' Report

To the members of Hongkong Land Holdings Limited

Report on the audit of the financial statements

Opinion

In our opinion, Hongkong Land Holdings Limited's Group ('the Group') financial statements (the 'financial statements'):

- give a true and fair view of the state of the Group's affairs as at 31st December 2018 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards ('IFRSs') as issued by the International Accounting Standards Board (IASB); and
- have been prepared in accordance with the requirements of the Companies Act 1981 (Bermuda).

We have audited the financial statements, included within the Annual Report, which comprise: the Consolidated Balance Sheet as at 31st December 2018; the Consolidated Profit and Loss Account, the Consolidated Statement of Comprehensive Income, the Consolidated Cash Flow Statement, and the Consolidated Statement of Changes in Equity for the year then ended; and the Notes to the Financial Statements, which include the Principal Accounting Policies.

Certain required disclosures have been presented in the Corporate Governance section on page 81, rather than in the notes to the financial statements. These disclosures are cross-referenced from the financial statements and are identified as audited.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ('ISAs (UK)') and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the Financial Reporting Council's ('FRC's') Ethical Standard as applicable to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Our audit approach

Overview

Materiality

- Overall Group materiality: US\$407.0 million (2017: US\$383.0 million), which represents 1% of total non-current assets.
- Specific Group materiality: US\$62.0 million (2017: US\$56.0 million) which represents 5% of underlying profit before tax.

Audit scope

- A full scope audit was performed on seven subsidiaries. These subsidiaries, together with procedures performed on central functions and at the Group level, accounted for 95% of the Group's revenue, 86% of the Group's profit before tax, 92% of the Group's underlying profit before tax and 79% of the Group's total non-current assets.
- Full scope audits of three joint ventures were also performed which accounted for a further 5% of the Group's profit before tax, 5% of the Group's underlying profit before tax and 6% of the Group's total non-current assets.
- Specified procedures were performed over selected material financial statement line items for 26 other entities.

Key audit matter

- Valuation of investment properties.

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the Directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the Directors that represented a risk of material misstatement due to fraud.

Our audit approach continued

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. This is not a complete list of all risks identified by our audit.

Key audit matter

How our audit addressed the key audit matter

Valuation of investment properties

Refer to Note 31 (Critical Accounting Estimates and Judgements) and Note 10 (Investment Properties) to the consolidated financial statements.

The fair value of the Group's investment properties amounted to US\$33,712 million at 31st December 2018, with a revaluation gain of US\$1,222 million recognised as a non-trading item in the consolidated profit and loss account for the year. The Group's property portfolio principally consists of commercial properties.

The valuation of the Group's investment property portfolio is inherently subjective due to, among other factors, the individual nature of each property, its location, prevailing market returns and the expected future rentals for that particular property.

The valuations were carried out by third party valuers (the 'valuers'). In determining a property's valuation, the valuers make assumptions, judgements and estimates in key areas. Valuations are principally derived using the income capitalisation method. Judgements are made in respect of capitalisation rates and market rents.

We focused on the valuation of investment properties due to the significant judgements and estimates involved in determining the valuations.

We assessed the valuers' qualifications and their expertise, considering whether there were any matters that might have affected their objectivity or may have imposed scope limitations upon their work. We found no evidence to suggest that the objectivity of the valuers in their performance of the valuations was compromised.

Our work focused on the highest value properties in the portfolio, namely the buildings in the financial district of Central, Hong Kong.

We read the valuation reports for the Hong Kong properties covering the majority of the total investment property portfolio to consider whether the valuation approach used was appropriate for each property and suitable for use in determining the carrying value. We performed testing, on a sample basis, on the input data used in the valuation process to satisfy ourselves of the accuracy of the property information supplied to the valuers by management, for example agreement of lease terms to tenancy agreements and other supporting documents.

We understood and assessed the Group's controls over data used in the valuation of the investment property portfolio and management's review of the valuations.

The audit team, including our valuation specialists, attended meetings with the valuers at which the valuations and the key assumptions therein were discussed. We compared the capitalisation rates used by the valuers with an estimated range of expected yields, determined via reference to published benchmarks and market information. We evaluated year-on-year movements in capital value and rentals with reference to publicly available information and market rents. We evaluated whether assumptions were appropriate in light of the evidence provided by significant transactions which had taken place in local markets during the year.

We concluded that the assumptions used in the valuations were supportable in light of available evidence.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which it operates.

The Group's accounting processes are structured around finance functions, which are responsible for their own accounting records and controls, which in turn, report financial information to the Group's finance function in Hong Kong to enable them to prepare consolidated financial statements.

Independent Auditors' Report

Our audit approach continued

How we tailored the audit scope continued

In establishing the overall approach to the Group audit, we determined the type of work that needed to be performed by members of the Group engagement team or by component auditors from within the PwC Network and other auditors operating under our instruction. Where the work was performed by component auditors, we determined the level of involvement we needed to have in the audit work at those components to be able to conclude whether sufficient appropriate audit evidence had been obtained as a basis for our opinion on the financial statements as a whole. The Group engagement team was involved in the significant reporting entities in scope for Group reporting during the audit cycle through a combination of meetings, visits and conference calls. The lead Group audit partner and other senior team members undertook multiple visits to Hong Kong during the audit and were involved throughout the year in regular conference calls and other forms of communication to direct and oversee the audit. Senior team members visited a number of countries, including Singapore and mainland China during the audit to review the work of component teams with regular communication throughout the year.

A full scope audit of the complete financial information was performed for seven subsidiaries. These subsidiaries, together with procedures performed on central functions and at the Group level (on the consolidation and other areas of significant judgement), which accounted for 95% of the Group's revenue, 86% of the Group's profit before tax, 92% of the Group's underlying profit before tax and 79% of the Group's total non-current assets. Full scope audits of the complete financial information were also performed for three principal joint ventures which accounted for a further 5% of the Group's profit before tax, 5% of the Group's underlying profit before tax and 6% of the Group's total non-current assets. Specified procedures were performed over selected material financial statement line items for 26 other entities. This gave us the evidence we needed for our opinion on the financial statements as a whole.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Overall Group materiality	US\$407.0 million, (2017: US\$383.0 million)
How we determined it	1% of total non-current assets
Rationale for benchmark applied	A key determinant of the Group's value is investment property. As non-current assets primarily comprise investment properties, we set an overall Group materiality level based on total non-current assets

We set a specific materiality level of US\$62.0 million (2017: US\$56.0 million) for items not related to the carrying value of investment properties and their related fair value changes (either wholly owned or held within joint ventures). This equates to 5% of underlying profit before tax.

For each component in the scope of our Group audit, we allocated a materiality that is less than our overall Group materiality. The range of materiality allocated across components was US\$2.1 million to US\$23.3 million.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit of investment property related items above US\$20.0 million (2017: US\$19.0 million) as well as misstatements below that amount that in our view, warranted reporting for qualitative reasons. For all other account balances, we agreed with the Audit Committee that we would report to them misstatements identified during our audit above US\$3.1 million (2017: US\$2.8 million) as well as misstatements below that amount that in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

ISAs (UK) require us to report to you when the Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group's ability to continue to adopt the going concern basis of accounting for a period of at least 12 months from the date when the financial statements are authorised for issue. We have nothing to report in respect of the above matters.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's ability to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union or the outcome of ongoing US and China trade relationships, are not clear, and it is therefore difficult to evaluate potential implications.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The Directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

Responsibilities for the financial statements and the audit

Responsibilities of the Directors for the financial statements

As explained more fully in the Responsibility Statement set out on page 79, the Directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The Directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Section 90 of the Companies Act 1981 (Bermuda) and for no other purpose. We do not, in giving these opinions, 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.

The engagement partner responsible for this independent auditors' report is John Baker.

PricewaterhouseCoopers LLP

Chartered Accountants

London

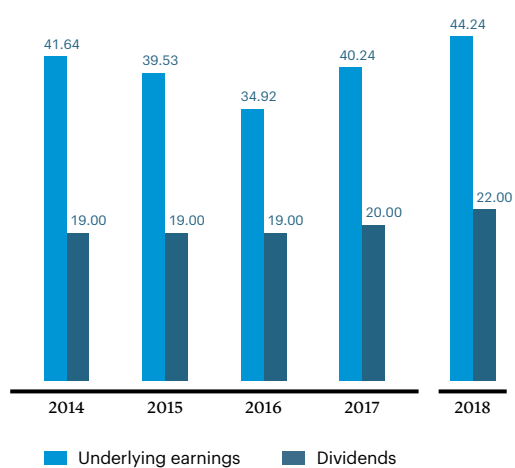
28th February 2019

- (a) The maintenance and integrity of the Hongkong Land Holdings Limited website is the responsibility of the Directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.
- (b) Legislation in Bermuda governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

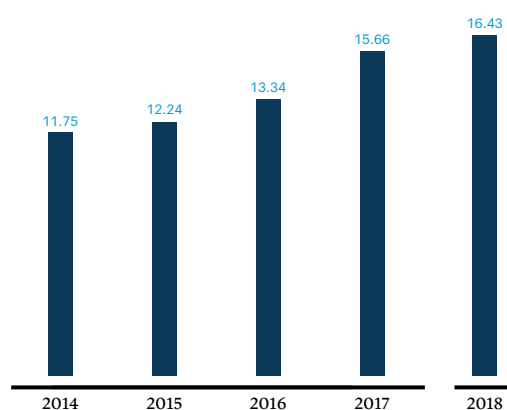
Five Year Summary

	2014 US\$m	2015 US\$m	2016 US\$m	2017 US\$m	2018 US\$m
Profit attributable to shareholders	1,373	2,046	3,311	5,614	2,457
Underlying profit attributable to shareholders	980	930	822	947	1,036
Investment properties	23,697	24,957	27,712	32,481	33,712
Net debt	2,657	2,341	2,008	2,549	3,564
Shareholders' funds	27,649	28,803	31,383	36,842	38,342

	US\$	US\$	US\$	US\$	US\$
Net asset value per share	11.75	12.24	13.34	15.66	16.43



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 the Principal Risks and Uncertainties, which constitute the management report, include a fair review of all information required to be disclosed by the Disclosure Guidance and Transparency Rules 4.1.8 to 4.1.11 issued by the Financial Conduct Authority in the United Kingdom.

For and on behalf of the Board

Robert Wong

Simon Dixon

Directors

28th February 2019

Corporate Governance

Hongkong Land Holdings Limited is incorporated in Bermuda. The Company's property interests are held almost entirely in Asia. The Company's equity shares have a standard listing on the Main Market of the London Stock Exchange, and secondary listings in Bermuda and Singapore. The Disclosure Guidance and Transparency Rules (the 'DTRs') issued by the Financial Conduct Authority in the United Kingdom (the 'FCA') require that this Report address all relevant information about the corporate governance practices applied beyond the requirements under Bermuda law.

The Company attaches importance to the corporate stability and opportunities that result from it being part of the Jardine Matheson group, which is considered to be fundamental to the Company's ability to pursue a long-term strategy in Asian markets. By coordinating objectives, establishing common values and standards, and sharing experience, contacts and business relationships, Jardine Matheson helps the Group to optimise its opportunities in the countries in which it operates.

The Hongkong Land Group is committed to high standards of governance. The system of governance it has adopted is based on a well-trying approach to oversight and management that has been developed over many years by the members of the Jardine Matheson group. It enables the Group to benefit from Jardine Matheson's strategic guidance and professional expertise, while at the same time ensuring that the independence of the Board is respected and clear operational accountability rests with the Company's executive management team.

The Management of the Group

The Company has a dedicated executive management team led by the Chief Executive. The Memorandum of Association of the Company, however, provides for the chairman of Jardine Matheson to be, or to appoint, the Managing Director of the Company. Reflecting this, and the Jardine Matheson group's 50% interest 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 Hongkong Land Group executives as well as Jardine Matheson's deputy managing director, group finance director, group strategy director and group general counsel.

The presence of Jardine Matheson representatives on the Board of the Company and on the board of HKL, as well as on its audit and finance committees, provides an added element of stability to the Company's financial planning and supervision, enhancing its ability to raise finance and take a long-term view of business development. It also eases the ability of management to work effectively together in exploiting the full range of the Jardine Matheson group's commercial strengths.

The Directors of the Company retain full power to manage the business affairs of the Company, other than matters reserved to be exercised by the Company in general meeting under Bermuda legislation or the Company's Bye-laws. Among the matters on which the Board decides are the Group's business strategy, its annual budget, dividends and major corporate activities.

The Board

The Company currently has a Board of 15 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 Board composition and operation helps to provide the Company with the necessary stability as it seeks to grow its business.

The role of the Chairman is to lead the Board as it oversees the Group's strategic and financial direction, while the principal role of the Managing Director is to act as chairman of HKL and of its finance committee. Ben Keswick is currently appointed to both positions. The responsibility for running the Group's business and all the executive matters affecting the Group rests with the Chief Executive, Robert Wong. The implementation of 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.

The Board is scheduled to hold four meetings in 2019 and ad hoc procedures are adopted to deal with urgent matters which arise between scheduled meetings. In 2018 one meeting was held in Bermuda and three were held in Asia. The Board receives high quality, up to date information for each of its meetings. In addition, certain Directors of the Company who do not serve on the board of HKL and who are based outside Asia regularly visit Asia and Bermuda to discuss the Group's business, as well as to participate in the four strategic reviews that precede the regular 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, as well as their knowledge and experience of the wider Jardine Matheson group, reinforces the process by which business is reviewed before consideration at Board meetings.

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, or from the wider Jardine Matheson group or externally, including by using the services of specialist executive search firms. The aim is to appoint individuals who combine international best practice with familiarity with, or adaptability to, Asian markets. When appointing non-executive Directors, the Board pays particular attention to the Asian business experience and relationships that they can bring.

Each new Director is appointed by the Board and, in accordance with the Company's Bye-laws, each new Director so appointed is subject to retirement and re-appointment at the first annual general meeting after appointment. Thereafter, Directors are subject to retirement by rotation under the Bye-laws 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 does not extend to the Chairman or Managing Director.

Dr Richard Lee stepped down from the Board of the Company at the Annual General Meeting held on 9th May 2018, and Christina Ong joined the Board on the same day. Sir Henry Keswick retired from the Board with effect from 31st December 2018.

In accordance with Bye-law 85, Adam Keswick, Anthony Nightingale, Lord Sassoon and Michael Wu retire by rotation at this year's Annual General Meeting and, being eligible, offer themselves for re-election. In accordance with Bye-law 92, Christina Ong will also retire and, being eligible, offers herself for re-election. None of the Directors proposed for re-election has a service contract with the Company or its subsidiaries.

The Company's policy is to offer competitive remuneration packages to its senior executives. It is recognised that, due to the nature of the Group and its diverse geographic base, a number of its senior executives are required to be offered international terms and the nature of the remuneration packages is designed to reflect this. Executive Directors joining from outside the Group may be offered an initial fixed-term service contract to reflect any requirement for them to relocate.

Recommendations and decisions on remuneration and other benefits payable or made available to executive Directors result from consultations between the Chairman and other Directors as he considers appropriate. 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\$65,000 each per annum and the fee for the Chairman and Managing Director to US\$90,000 per annum with effect from 1st January 2019 will be proposed at the forthcoming Annual General Meeting.

For the year ended 31st December 2018, the Directors received from the Group US\$8.1 million (2017: US\$8.2 million) in Directors' fees and employee benefits, being US\$0.9 million (2017: US\$0.9 million) in Directors' fees, US\$7.0 million (2017: US\$7.0 million) in short-term employee benefits including salary, bonuses, accommodation and deemed benefits in kind and US\$0.2 million (2017: US\$0.3 million) in post-employment benefits. The information set out in this paragraph forms part of the audited financial statements.

The Company has in place notional share option plan under which cash bonuses are paid based on the performance of the Company's share price over a period. The notional plan was established to provide longer-term incentives for executive Directors and senior managers. Notional share options are granted after consultation between the Chairman 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.

Audit Committee

The Board has established within HKL an audit committee (the 'Audit Committee'), the current members of which are Y.K. Pang, Mark Greenberg, Jeremy Parr and John Witt; they have extensive knowledge of the Group while at the same time not being directly involved in operational management. The chairman, 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. The Audit Committee meets and reports to the Board semi-annually.

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 with the executive management and a report is received from the external auditors. The external auditors also have access to the full Board when necessary, in addition to the Chief Executive, Chief Financial Officer and other senior executives.

The Audit Committee keeps under review the nature, scope and results of the audits conducted by the internal audit function. The Audit Committee's responsibilities extend to reviewing the effectiveness of both the internal and external audit functions; considering the independence and objectivity of the external auditors; and reviewing and approving the level and nature of non-audit work performed by the external auditors.

The terms of reference of the Audit Committee can be found on the Company's website at www.hkland.com.

Risk Management and Internal Control

The Board has overall responsibility for the Group's systems of risk management and internal control. The Board has delegated to the Audit Committee responsibility for providing oversight in respect of risk management activities. The Audit Committee considers the Group's principal risks and uncertainties and potential changes to the risk profile, and reviews the operation and effectiveness of the Group's systems of internal control and the procedures by which these risks are monitored and mitigated. The Audit Committee considers the systems and procedures on a regular basis, and reports to the Board semi-annually. The systems of internal control are 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.

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

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 is set out in the Group's Code of Conduct, which is a set of guidelines to which every employee must adhere, and is reinforced and monitored by an annual compliance certification process.

The Audit Committee 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.

The principal risks and uncertainties facing the Company are set out on page 85.

Directors' Responsibilities in respect of the Financial Statements

The Directors are required under the Bermuda Companies Act 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 are required to 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. The financial statements have been prepared on a going concern basis.

Code of Conduct

The Group conducts business in a professional, ethical and even-handed manner. Its ethical standards are clearly set out in its Code of Conduct, which is modelled on the Jardine Matheson group's code of conduct. The Code of Conduct 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 of Conduct prohibits the giving or receiving of illicit payments, and 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 Code of Conduct also encourages inclusion and diversity, and requires all employees to be treated fairly, impartially and with dignity and respect. As a multinational Group with a broad range of businesses operating across Asia, the Group believes in promoting equal opportunities in recruiting, developing and rewarding its people regardless of race, gender, nationality, religion, sexual orientation, disability, age or background. The scale and breadth of the Group's businesses necessitate that they seek the best people from the communities in which they operate most suited to their needs.

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.

Directors' Share Interests

The Directors of the Company in office on 28th February 2019 had interests (within the meaning of the EU Market Abuse Regulation ('MAR'), which applies to the Company as it is listed on the London Stock Exchange) 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' closely associated persons (as that term is used under MAR).

Charles Allen-Jones	60,000
Anthony Nightingale	2,184
Y.K. Pang	38,000

In addition, Robert Wong held share options in respect of 1,200,000 ordinary shares issued pursuant to the Company's notional share option plan.

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 50.41% 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 28th February 2019.

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

Governance Principles

The Company's primary listing on the London Stock Exchange is a standard listing on the Main Market. Under a standard listing, the Company is subject to the UK Listing Rules (other than those which apply only to companies with a premium listing), the DTRs, the UK Prospectus Rules and MAR. The Company, therefore, is bound by the rules in relation to continuous disclosure, periodic financial reporting, disclosure of interests in shares and market abuse, including the rules governing insider dealing, market manipulation and the disclosure of inside information. The Company is also subject to regulatory oversight from the FCA, as the Company's principal securities regulator, and is required to comply with the Admission and Disclosure Standards of the Main Market of the London Stock Exchange.

When shareholders approved the Company's move to a standard listing from a premium listing in 2014, the Company stated that it intended to maintain certain governance principles on the same basis as was then applicable to the Company's premium listing, as follows:

1. When assessing a significant transaction, being a larger transaction which would be classified as a class 1 transaction under the provisions of the UK Listing Rules, the Company will engage an independent financial adviser to provide a fairness opinion on the terms of the transaction.
2. In the event of a related party transaction, being a transaction with a related party which would require a sponsor to provide a fair and reasonable opinion under the provisions of the UK Listing Rules, the Company will engage an independent financial adviser to confirm that the terms of the transaction are fair and reasonable as far as the shareholders of the Company are concerned.
3. Further, as soon as the terms of a significant transaction or a related party transaction are agreed, an announcement will be issued by the Company providing such details of the transaction as are necessary for investors to evaluate the effect of the transaction on the Company.
4. At each annual general meeting, the Company will seek shareholder approval to issue new shares on a non-pre-emptive basis for up to 33% of the Company's issued share capital, of which up to 5% can be issued for cash consideration.
5. The Company will continue to adhere to its Securities Dealing Rules. These rules, which were based on the UK Model Code, have since been revised to follow the provisions of MAR with respect to market abuse and disclosure of interests in shares.
6. The Company will continue its policies and practices in respect of risk management and internal controls.

Related Party Transactions

Details of transactions with related parties entered into by the Company during the course of the year are included in Note 25 to the financial statements on page 52.

Securities Purchase Arrangements

The Directors have the power under the Bermuda Companies Act and the Company's Memorandum of Association to purchase the Company's shares. Any shares so purchased shall be treated as cancelled and, therefore, reduce the issued share capital of the Company. When the Board reviews the possibility for share repurchases, it will take into consideration the potential for the enhancement of earnings or asset values per share. When purchasing such shares, the Company is subject to the provisions of MAR.

During the year the Company repurchased and cancelled a total of 18,878,700 of its ordinary shares for an aggregate cost of US\$132 million. The ordinary shares, which were repurchased in the market, represented some 0.8% of the Company's issued ordinary share capital.

Takeover Code

The Company is subject to a Takeover Code, based on London's City Code on Takeovers and Mergers. The Takeover Code provides an orderly framework within which takeovers can be conducted and the interests of shareholders protected. The Takeover Code has statutory backing, being established under the Acts of incorporation of the Company in Bermuda.

Annual General Meeting

The 2019 Annual General Meeting will be held at Rosewood Bermuda, Bermuda on 8th May 2019. 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. A corporate website is maintained containing a wide range of information of interest to investors at www.hkland.com.

Power to Amend Bye-laws

The Bye-laws of the Company can be amended by the shareholders by way of a special resolution at a general meeting of the Company.

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 82 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 Guidance and Transparency Rules issued by the Financial Conduct 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 and Financial 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 such developments might have on the Group's joint venture partners, associates, bankers, suppliers or tenants. These developments could include 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 and mixed-use developments.

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

The steps taken by the Group to manage its exposure to financial risk are set out in the Financial Review on page 16 and Note 30 to the financial statements on pages 64 to 71.

Commercial Risk

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

The Group makes significant investment decisions in respect of commercial and residential development projects and these are subject to market risks. This is especially the case where projects take time to come to fruition and achieve the desired returns.

The Group operates in regions which are highly competitive, and failure to compete effectively, whether in terms of price, tender terms, product specification or levels of service can have an adverse effect on earnings or market share, as can construction risks in relation to new developments. Significant pressure from such competition may also lead to reduced margins.

It is essential for the products and services provided by the Group's businesses to meet appropriate quality and safety standards and there is an associated risk if they do not, including the risk of damage to brand equity or reputation, which might adversely impact the ability to achieve acceptable revenues and profit margins.

The potential impact of disruption to IT systems or infrastructure, whether as a result of cyber-crime or other factors, could be significant.

Regulatory and Political Risk

The Group is subject to a number of regulatory regimes in the territories in which it operates. Changes in such regimes, in relation to matters such as foreign ownership of assets and businesses, exchange controls, planning controls, tax rules and employment legislation, could have the potential to impact the operations and profitability of the Group.

Changes in the political environment in the territories where the Group operates could adversely affect the Group.

Terrorism, Pandemic and Natural Disasters

The Group's operations are vulnerable to the effects of terrorism, either directly through the impact of an act of terrorism or indirectly through the effect on the Group's businesses of generally reduced economic activity in response to the threat of, or an actual act of, terrorism.

The Group could be impacted by a global or regional pandemic which seriously affects economic activity or the ability of businesses to operate smoothly. In addition, many of the territories in which the Group operates can experience from time to time natural disasters such as earthquakes and typhoons.

Shareholder Information

Financial Calendar

2018 full-year results announced	28th February 2019
Shares quoted ex-dividend	14th March 2019
Share registers closed	18th to 22nd March 2019
Annual General Meeting to be held	8th May 2019
2018 final dividend payable	15th May 2019
2019 half-year results to be announced	1st August 2019*
Shares quoted ex-dividend	22nd August 2019*
Share registers to be closed	26th to 30th August 2019*
2019 interim dividend payable	17th October 2019*

* Subject to change

Dividends

Shareholders will receive their cash dividends in United States Dollars, unless they are registered on the Jersey branch register, in which case they will have the option to elect for their dividends to be paid in Sterling. These shareholders may make new currency elections for the 2018 final dividend by notifying the United Kingdom transfer agent in writing by 18th April 2019. The Sterling equivalent of dividends declared in United States Dollars will be calculated by reference to a rate prevailing on 2nd May 2019. Shareholders holding their shares through CREST in the United Kingdom will receive their cash dividends in Sterling only. Shareholders holding their shares through The Central Depository (Pte) Limited ('CDP') in Singapore will receive their cash dividends in 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

Link Market Services (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

Link Asset Services
The Registry
34 Beckenham Road
Beckenham, Kent BR3 4TU
United Kingdom

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

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Report of the Valuers

To Hongkong Land Holdings Limited

Dear Sirs

Revaluation of Investment Properties Held under Freehold and Leasehold

Further to your instructions, we have valued in our capacity as external valuers the investment properties held under freehold and leasehold as described in the consolidated financial statements of Hongkong Land Holdings Limited. We are of the opinion that the market value of the investment properties held under freehold in Cambodia and leasehold in China, Hong Kong, Singapore and Vietnam as at 31st December 2018, totalled US\$33,699,200,000 (United States Dollars Thirty Three Billion Six Hundred Ninety Nine Million and Two Hundred Thousand).

Our valuations were prepared in accordance with the International Valuation Standards by the International Valuation Standards Council and The HKIS Valuation Standards 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, 31st January 2019

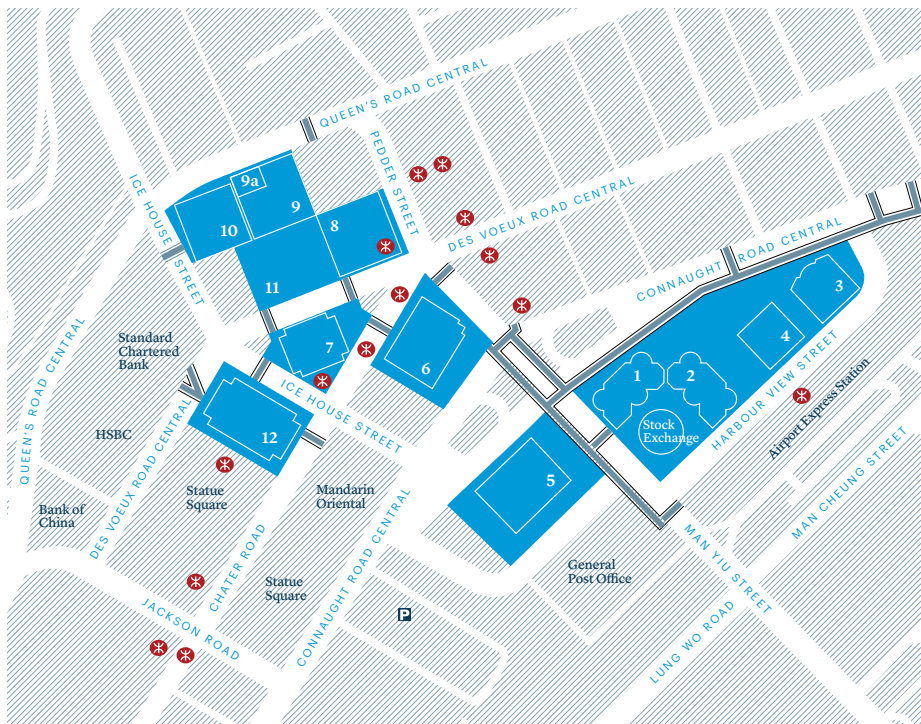
Major Property Portfolio

at 31st December 2018

Investment Properties	Ownership interest %	Location	Lettable area of the property		
			Total	Office	Retail
			(in thousands of square metres)		
Alexandra House	100	Hong Kong	34	30	4
Chater House	100	Hong Kong	43	39	4
Exchange Square	100		139		
One Exchange Square		Hong Kong		53	-
Two Exchange Square		Hong Kong		47	-
Three Exchange Square		Hong Kong		30	-
Podium		Hong Kong		-	5
The Forum		Hong Kong		4	-
Jardine House	100	Hong Kong	63	59	4
Gloucester Tower	100	Hong Kong	44	44	-
Landmark Atrium	100	Hong Kong	24	-	24
Edinburgh Tower	100	Hong Kong	44	31	13
York House	100	Hong Kong	10	10	-
Prince's Building	100	Hong Kong	52	38	14
WF CENTRAL	84	Beijing, mainland China	42	-	42
One Central	49	Macau	20	-	20
One Raffles Link	100	Singapore	29	23	6
One Raffles Quay	33.3		123		
North Tower		Singapore		71	-
South Tower		Singapore		52	-
Marina Bay Financial Centre	33.3		286		
Tower 1		Singapore		57	2
Tower 2		Singapore		95	7
Tower 3		Singapore		117	8
World Trade Centre 1	50	Jakarta, Indonesia	42	37	5
World Trade Centre 2	50	Jakarta, Indonesia	60	56	4
World Trade Centre 3	50	Jakarta, Indonesia	74	69	5
World Trade Centre 5	50	Jakarta, Indonesia	15	14	1
World Trade Centre 6	50	Jakarta, Indonesia	19	17	2
EXCHANGE SQUARE	100	Phnom Penh, Cambodia	25	17	8
Gaysorn	49	Bangkok, Thailand	17	5	12
Central Building	65	Hanoi, Vietnam	4	3	1
63 Ly Thai To	73.9	Hanoi, Vietnam	7	6	1

Development Properties	Ownership interest %	Location	Developable area of the property		
			Total	Construction completed	Under construction/ to be developed
				(in thousands of square metres)	
WE City	50	Chengdu, mainland China	917	480	437
Central Avenue	50	Chongqing, mainland China	1,101	326	775
Landmark Riverside	50	Chongqing, mainland China	1,004	518	486
Bamboo Grove Riverside	100	Chongqing, mainland China	161	-	161
Lijia Landscape	50	Chongqing, mainland China	114	-	114
New Bamboo Grove	50	Chongqing, mainland China	640	378	262
Yorkville North	100	Chongqing, mainland China	1,116	531	585
Yorkville South	100	Chongqing, mainland China	881	678	203
Hangzhou Bay	30	Hangzhou, mainland China	776	-	776
Yue City	33	Nanjing, mainland China	260	-	260
Caohejing Project	26.7	Shanghai, mainland China	392	-	392
Wuhan Dream Land	50	Wuhan, mainland China	493	-	493
Lake Grande	100	Singapore	50	-	50
Margaret Ville	100	Singapore	22	-	22
Parc Esta	100	Singapore	98	-	98
Arumaya	40	Jakarta, Indonesia	24	-	24
Asya	33.5	Jakarta, Indonesia	1,085	-	1,085
Gatot Subroto	50	Jakarta, Indonesia	77	-	77
Nava Park	49	Serpong, Greater Jakarta, Indonesia	741	71	670
Broadhill	50	Seremban Forest Heights, Malaysia	43	-	43
Two Roxas Triangle	40	Manila, The Philippines	98	-	98
King Kaew	49	Bangkok, Thailand	164	-	164
The ESSE Sukhumvit 36	49	Bangkok, Thailand	38	-	38
29B NDC	70	Ho Chi Minh City, Vietnam	57	-	57

Hong Kong – Central District



- Hongkong Land properties
- P Public car park
- Pedestrian bridges
- ✱ Mass Transit Railway access



- | | | | |
|-------------------------|-------------------|-----------------------------------|----------------------|
| 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 | | | |

Beijing, China



WF CENTRAL



CBD Z3 Site*



Central Park

Chengdu, China



WE City*



Yixinhu Project*

Chongqing, China



Bamboo Grove



New Bamboo Grove



Bamboo Grove Riverside*



Lijia Landscape*



Central Avenue



Landmark Riverside



Yorkville South



Yorkville North



Liangjiang New Project



Yuelai Project*

Hangzhou, China



Hangzhou Bay*

Nanjing, China



JL CENTRAL*



Yue City*



Jiangbei Project*

Thailand



Gaysorn



The ESSE Sukhumvit 36*



British Embassy compound



Nonthaburi Site*



King Kaew Site

Indonesia



WTC



Anandamaya Residences*



Nava Park*



Asya*

Indonesia



Gatot Subroto*



Arumaya*

Malaysia



Wangsa Walk Mall

Macau



One Central

Vietnam



Central Building



63 Ly Thai To



The Nassim*



29B NDC*



Thu Thiem River Park Project*

Cambodia



Central Mansions



EXCHANGE SQUARE

Philippines



Roxas Triangle Towers*



Mandani Bay*



Bridgetowne*

Singapore



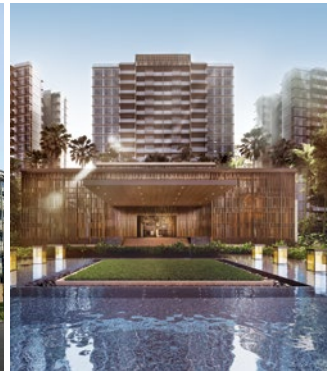
Marina Bay Financial Centre



One Raffles Quay



One Raffles Link



Parc Esta*



Sol Acres



Lake Grande*



Margaret Ville*



Tulip Garden

Shanghai, China



Parkville



Caohejing Project*

Wuhan, China



Wuhan Dream Land*

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

Hongkong Land Holdings Limited

Jardine House Hamilton Bermuda

www.hkland.com

