Annual Report 2020

Hongkong Land Holdings Limited

inspire : aspire

Front cover: Hongkong Land's diverse portfolio spans 18 cities in Asia, including the West Bund Financial Hub under construction in Shanghai, building long-term value for generations to come. (This rendering is for illustration and reference only, subject to change and government approval.)

Jardines
A member of the Jardine Matheson Group

Contents

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 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
(stepped down as Managing Director on 15th June 2020)

John Witt Managing Director
(joined the Board on 15th June 2020)

Robert Wong Chief Executive

Simon Dixon

Mark Greenberg
(stepped down on 31st December 2020)

Adam Keswick

Simon Keswick
(stepped down on 1st January 2020)

Anthony Nightingale

Christina Ong

Y.K. Pang

Lord Powell of Bayswater, KCMG

Lord Sassoon, Kt
(stepped down on 9th April 2020)

Prijono Sugiarto
(joined the Board on 29th July 2020)

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

John Witt Chairman
(appointed as chairman on 15th June 2020)

Ben Keswick
(stepped down as chairman and director on 15th June 2020)

Robert Wong Chief Executive

Simon Dixon Chief Financial Officer

Graham Baker
(joined the board on 15th June 2020)

Raymond M.J. Chow

Kenneth Foo

Robert L. Garman

Mark Greenberg
(stepped down on 31st December 2020)

David Hsu

David P. Lamb

Ling Chang Feng

Anne O'Riordan

Y.K. Pang

Jeremy Parr

Raymond Wong

Corporate Secretary

Jonathan Lloyd

Highlights

- Underlying profit of US$963 million, down 11%
- Net asset value per share down 7% on lower capital values
- Dividend level maintained
- 43% interest retained in the prime West Bund project in Shanghai
- Balance sheet and funding position remain strong

Results

	2020 US$m	2019 US$m	Change %
Underlying profit attributable to shareholders*	**963**	1,076	(11)
(Loss)/profit attributable to shareholders	**(2,647)**	198	N/A
Shareholders' funds	**35,709**	38,247	(7)
Net debt	**4,568**	3,591	27
	US¢	US¢	%
Underlying earnings per share*	**41.27**	46.12	(11)
Earnings per share	**(113.43)**	8.48	N/A
Dividends per share	**22.00**	22.00	–
	US$	US$	%
Net asset value per share	**15.30**	16.39	(7)

* 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 27 to the financial statements. Management considers this to be a key measure which provides additional information to enhance understanding of the Group's underlying business performance.

Chairman's Statement

Overview

The Group's performance was negatively impacted by COVID-19, particularly in relation to the granting of retail rent relief in the Investment Properties business and a lower contribution from Development Properties as a result of fewer expected residential completions. On the Chinese mainland, sentiment in the Group's markets has recovered to pre-pandemic levels.

The Group responded decisively during the year to the pandemic, prioritising the health and safety of our people and customers and taking actions to manage costs and to further strengthen our financial position. These efforts will continue whilst the possibility of further waves of the pandemic remains.

The Group also remains focused on addressing changes in customer behaviours, and the need to adapt and align to new situations resulting from COVID-19, and is continuing to add to its suite of digital services and flexible spaces that are available to tenants and customers.

Performance

Underlying profit attributable to shareholders fell 11% to US$963 million.

Including net losses of US$3,610 million resulting from lower valuations of the Group's investment properties, the loss attributable to shareholders was US$2,647 million. This compares to a profit of US$198 million in 2019, which included net losses of US$878 million arising from revaluations.

The net asset value per share at 31st December 2020 was US$15.30, compared with US$16.39 at the end of 2019.

The Directors are recommending a final dividend of US¢16.00 per share, providing a total dividend for the year of US¢22.00 per share, unchanged from last year.

Group Review

Investment Properties

In Hong Kong, office leasing activity in Central was largely subdued as a result of economic uncertainties brought about by the pandemic. However, as a result of the Group's active lease management in recent years, the Central office portfolio performed relatively well amidst the current market downturn. Physical vacancy at the end of 2020 was 6.3%, whilst vacancy on a committed basis was 5.9%. Rental reversions were broadly neutral, with average office rents increasing from HK$118 per sq. ft in 2019 to HK$120 per sq. ft in 2020.

Retail market sentiment in Hong Kong was severely impacted by the pandemic and resulting travel restrictions, although there were modest improvements in the second half of the year. Average retail rent in 2020 decreased to HK$164 per sq. ft from HK$222 per sq. ft in 2019, primarily due to the granting of temporary rent relief, which has been charged to underlying profit as incurred, and negative base rental reversions. Vacancy was 0.3% on both a physical and committed basis, unchanged from the prior year. The portfolio retains its position as the pre-eminent luxury shopping and fine dining destination in Hong Kong.

The value of the Group's Hong Kong Investment Properties portfolio decreased by 10% compared to the prior year, due to lower open market rents.

In Singapore, vacancy in the Group's office portfolio was 2.1% on a physical and committed basis at the end of 2020, compared with 5.0% at the end of 2019. Rental reversions were positive, with average rents increasing to S$9.9 per sq. ft in 2020 from S$9.7 per sq. ft in 2019.

In Beijing, WF CENTRAL experienced a significant decline in tenant sales and footfall in the first half of the year due to the pandemic, whilst trading performance in the second half of the year recovered to pre-pandemic levels buoyed by the strong recovery in luxury retail spending on the Chinese mainland.

In Shanghai, planning and development of the Group's prime mixed-use development on the West Bund, secured in February 2020, is proceeding on schedule with completion expected in multiple phases to 2027. The project will be jointly developed with a strategic investor headquartered on the Chinese mainland and a government-held SPV, with the Group retaining a 43% interest in the joint venture.

Development Properties

The Group's Development Properties business saw varying levels of disruption across the region due to the temporary suspension of sales and development activities, with construction delays impacting its full year performance.

On the Chinese mainland, sentiment in the Group's core markets has recovered to pre-pandemic levels. Profit contribution decreased compared to the prior year due to fewer planned completions resulting from construction delays and a change in product sales mix transferred to buyers. The Group's attributable interest in contracted sales of US$2,135 million was 14% higher than in 2019 due to a change in sales location mix. At 31st December 2020, the Group had an attributable interest of US$2,584 million in sold but unrecognised contracted sales, compared with US$1,860 million at the end of 2019.

The Group participated in a number of land auctions during the year, although it remained difficult to secure new sites due to a highly competitive primary land market. The Group did, however, secure a wholly-owned predominantly residential project in a prime location in Chongqing during the year. The site has a developable area of 174,000 sq. m. and will be developed in two phases, with completion expected in 2025.

In Singapore, recognised profits in 2020 were lower than the prior year largely due to construction delays caused by the pandemic. Despite the headwinds, pre-sales at the 1,404-unit Parc Esta and the 638-unit Leedon Green projects have performed well under current market conditions, with construction of the two projects scheduled to complete by 2021 and 2022, respectively. The Group's attributable interest in contracted sales was US$632 million, compared to US$669 million in the prior year.

In the rest of Southeast Asia, development activities have largely resumed, although market sentiment remains subdued in light of the ongoing impact of COVID-19 and the restrictions imposed to contain it.

Financing

The Group's financial position remains strong with net debt of US$4.6 billion on 31st December 2020, up from US$3.6 billion at the end of 2019, primarily due to the acquisition of the West Bund site. Net gearing at the end of the year was 13%, compared with 9% at the end of 2019. As at 31st December 2020, the Group had committed liquidity of US$4.3 billion, compared to US$3.2 billion at the end of 2019, with an average tenor of debt of 6.6 years compared to 6.1 years at the end of 2019.

People

Despite the unprecedented challenges brought about by the pandemic, our employees have shown exemplary commitment and resilience in safeguarding the wellbeing of our customers. On behalf of the Board, I would like to take this opportunity to thank them for their dedication and hard work throughout the year.

John Witt succeeded me as Managing Director on 15th June 2020. I will continue as Chairman. Mark Greenberg stepped down from the Board on 31st December 2020. We are grateful for his contribution to the Group since his appointment as a Director in 2006.

Outlook

The Group continues to operate in a challenging environment and uncertainty remains about the duration of the pandemic and the impact it will have on the Group. The Investment Properties portfolio and the Development Properties business are, however, expected to remain resilient in 2021.

Ben Keswick
Chairman
11th March 2021

Chief Executive's Review

Hongkong Land produced a solid performance for the year despite the challenges caused by the ongoing pandemic, with underlying earnings modestly lower than the record results achieved in 2019. Contributions from the Group's Investment Properties portfolio were moderately impacted by the provision of temporary retail rent relief and higher average office vacancy. Results from Development Properties were impacted by a delay in the timing of profit recognition primarily resulting from pandemic-related construction delays and lower margins due to changes in the sales mix.

Strategy

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

The Group's Investment Properties are predominantly commercial in nature and located in core business districts of key Asian gateway cities, with a concentration in Hong Kong and Singapore. Returns principally arise from rental income and long-term capital appreciation. The Investment Properties segment is the largest contributor to the Group's earnings given its relative size and maturity. It accounted for 86% of the Group's gross assets at the end of 2020 (2019: 87%) and contributed 65% of the Group's underlying operating profit before corporate expenses in 2020 (2019: 61%).

The Group's Development Properties are primarily premium residential and mixed-use developments located on the Chinese mainland and in Singapore, with a growing presence in other Southeast Asian markets. Returns principally arise from trading profits in respect of 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 to Investment Properties, after rents have stabilised. Development Properties accounted for 14% of the Group's gross assets at the end of 2020 (2019: 13%) and 35% of the Group's underlying operating profit before corporate expenses in 2020 (2019: 39%).

Geographically, China generates the bulk of the Group's earnings. Hong Kong, which predominantly comprises Investment Properties, accounted for 54% of the Group's underlying operating profit before corporate expenses (2019: 51%), whilst the Chinese mainland, which predominantly comprises Development Properties, accounted for 28% (2019: 32%).

The Investment Properties 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. During 2020, the Group's share of capital allocated to new investments totalled US$3.5 billion (2019: US$1.2 billion).

Hong Kong Investment Properties

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 in addition to housing the acclaimed Landmark Mandarin Oriental hotel.

Hong Kong's positioning as one of Asia's main financial and business hubs, combined with the scarcity of supply of high-quality, well-managed space in Central and the unique qualities of the Group's portfolio, continue to support low vacancy and strong rents. Despite the challenging conditions resulting from the pandemic and global uncertainties, Hong Kong continues to possess unique advantages as a financial centre that are not easily replicated. The Group remains confident that Hong Kong will continue to thrive as the primary gateway for capital flows in and out of the Chinese mainland and will remain an important finance and commercial hub for decades to come.

Central Portfolio top five office tenants (in alphabetical order)

in 2020

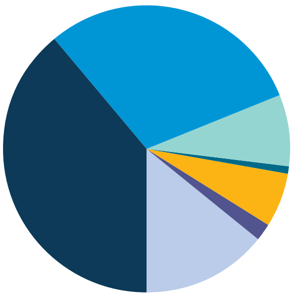
JP Morgan
KPMG
Mayer Brown
PricewaterhouseCoopers
Stock Exchange of Hong Kong

Central Portfolio top five retail tenants (in alphabetical order)

in 2020

Dickson Concepts
Hermes
Kering
LVMH Group
Richemont

The Group's 54,000 sq. m. retail portfolio is integrated with its office buildings to create part of its distinctive and successful mixed-use business model. Tenants include numerous global luxury brand flagship stores, as well as a number of leading restaurants. LANDMARK is firmly established as the iconic luxury shopping and fine dining destination in Hong Kong. Its success depends on the health of the broader Hong Kong economy as well as on Hong Kong remaining an attractive destination for affluent visitors from across the region. The Group is working to ensure that, despite the current challenging conditions, it remains the clear market leader in the city in which global luxury brands continue to be represented.



2016

39% Banks and other financial services
30% Legal
6% Property
8% Accounting
2% Trading
1% Governments
14% Others

2020

42% Banks and other financial services
30% Legal
6% Property
8% Accounting
2% Trading
1% Governments
11% Others

Central Portfolio office tenant profile by area occupied

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 totalling 165,000 sq. m. – principally concentrated in the Marina Bay Area – include some of the finest Grade A office space in the market. On the Chinese mainland, the Group's 49,000 sq. m. WF CENTRAL complex in Beijing is positioned as a premium retail and lifestyle destination, which includes a Mandarin Oriental hotel that has established itself as one of the most exclusive hotels 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 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 macroeconomic 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 key Asian gateway cities.

Development Properties

The Group has established a strong and profitable Development Properties business focused primarily on the premium residential market segment on the Chinese mainland and in Southeast Asia. On the Chinese mainland, the Group has a presence in seven key markets, namely Beijing, Chengdu, Chongqing, Hangzhou, Nanjing, Shanghai and Wuhan, which are expected to continue benefiting from the growth of the middle class and long-term urbanisation trends. Whilst the capital invested in this business is significantly lower than that invested in Investment Properties, the earnings derived from Development Properties enhance the Group's diversification, overall profits and return on capital. The Group's attributable interest in the developable area of its projects at the end of 2020 totalled 9.1 million sq. m., compared to 9.0 million sq. m. at the end of 2019. Of this, construction of approximately 43% had been completed at the end of 2020, compared to 37% at the end of 2019.

Annual returns from Development Properties fluctuate due to the nature of projects and the Group's accounting policy of recognising profits for sold properties on completion in a number of markets, including the Chinese mainland. 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 Investment Properties in 2020 were lower than the prior year due primarily to rent relief granted in support of our retail tenants across the region and higher average office vacancy.

Hong Kong

Overall demand in the office market remained subdued in 2020 on the backdrop of travel restrictions and other pandemic-related measures, with few new entrants in the market. Physical vacancy in the Group's Central office portfolio was 6.3% at the year-end, up from 2.9% at the end of 2019. On a committed basis, vacancy was 5.9%. Vacancy for the overall Central Grade A office market was 7.3% at the end of 2020, compared to 3.6% at the end of 2019. Rental reversions during the year were broadly neutral, as the portfolio benefited from a number of leases which were concluded prior to the onset of the pandemic in Hong Kong. The Group's average office rent in 2020 was HK$120 per sq. ft, up from last year's average of HK$118 per sq. ft. Financial institutions, legal firms and accounting firms occupy 80% of the Group's total leased office space. The weighted average lease expiry of the office portfolio at the end of 2020 stood at 4.6 years, broadly unchanged from the end of 2019.

Central Portfolio

at 31st December 2020

	Office	Retail
Capital value (US$m)	23,969	4,109*
Gross revenue (US$m)	795	187*
Equivalent yield (%)		
– One and Two Exchange Square	3.00	
– Landmark Atrium		4.50
Average unexpired term of leases (years)	4.6	1.9
Area subject to renewal/review in 2021 (%)	25	41

* Includes hotel

The Group's retail portfolio in Hong Kong was severely impacted by weakened sentiment in the luxury retail market as a result of the pandemic. However, vacancy, on both a physical and committed basis, remained low at 0.3%, unchanged from the end of 2019. Average retail rent in 2020 decreased to HK$164 per sq. ft from HK$222 per sq. ft in 2019, predominantly due to temporary rent relief provided to tenants. Base rental reversions were negative, reflecting falling retail rents across Hong Kong.

In June 2020, the Group successfully opened *BaseHall*, a first-of-its-kind food hall concept in the basement level of Jardine House. BaseHall aims to provide our tenants and other patrons with the best of the city's buzzing culinary scene by championing Hong Kong's exceptional food culture and incubating homegrown talents. The BaseHall has eight food outlets and two bars, all operated by celebrated names in Hong Kong's culinary landscape chosen for their creative concepts and outstanding offerings. To accommodate the demand for innovative concepts, vendors will rotate on a regular basis.

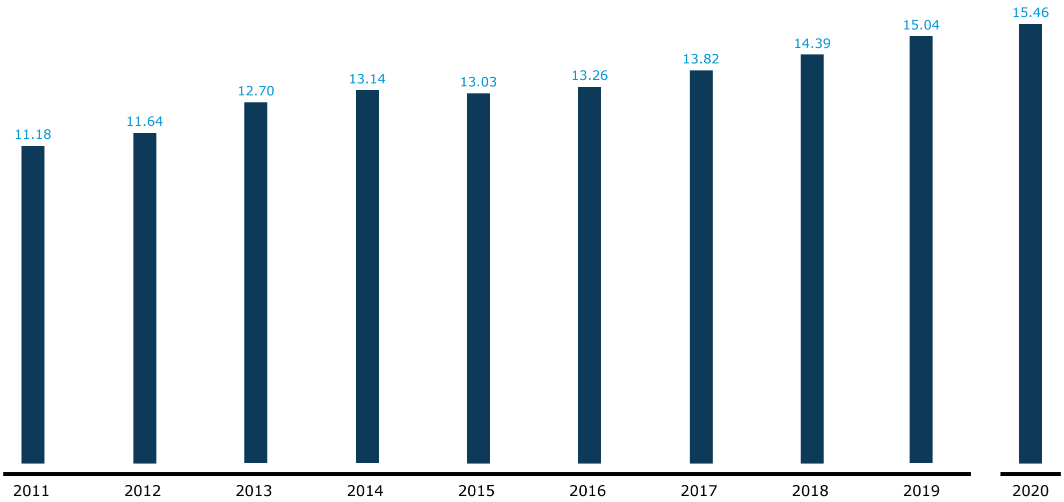
In December 2020, the Group debuted *BELOWGROUND* on the basement level of the LANDMARK. BELOWGROUND is a hybrid cultural and retail destination that serves as a bridge to connect traditional luxury retail with contemporary culture. By working alongside world-renowned streetwear brands and creative collaborators, BELOWGROUND aims to become a thriving cultural ecosystem that shapes a future in which no boundaries exist between luxury, fashion, culture and art. This new concept will continually have a curated roster of various retail concepts and experiences.

The value of the Group's Investment Properties portfolio in Hong Kong at 31st December 2020, based on independent valuations, declined by 10% to US$28.4 billion due to lower open market rents, with no change in capitalisation rates.

Singapore

The Singapore office leasing market remained relatively soft in 2020. Overall vacancy across the entire Grade A central business district was 6.8% at the end of 2020, compared to 4.2% at the end of 2019. The Group's office portfolio continued to perform well, reflecting its high quality and unique positioning. The Group's average office rent in 2020 was S$9.9 per sq. ft, an increase from S$9.7 per sq. ft in the previous year, due to positive rental reversions. Vacancy was low at 2.1%, on both a physical and committed basis, at the year-end, compared to 5.0% at the end of 2019. Financial institutions, legal firms and accounting firms occupy 77% of the Group's total leased office space. The weighted average lease expiry of the office portfolio at 2020 year-end stood at 3.8 years (2019: 4.4 years).

Following the introduction of the 'By the Bay' mobile app in 2019, *Bayspace*, a plug-and-play flexible workspace, was successfully launched in late 2020. Bayspace has been designed with agility in mind and offers mid- to large-sized dedicated suites and project rooms for tenants looking to expand on short notice in a prestigious setting.



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

Chinese Mainland

In Beijing, trading at WF CENTRAL was negatively impacted by the pandemic in the first half of 2020, with the Group providing temporary rent relief on a case-by-case basis. Trading performance improved significantly in the second half of the year due to a strong recovery in luxury retail spending on the Chinese mainland. No further rent relief was provided in the last two quarters as tenant sales exceeded that of the same period last year.

In Shanghai, planning and development of the Group's prime mixed-use development on the West Bund, secured in February 2020, is proceeding on schedule. Completion is expected in phases from 2023 to 2027. The project will be jointly developed with a strategic investor headquartered on the Chinese mainland and a government-held SPV, with the Group retaining a 43% interest in the joint venture, as well as ongoing project and asset management rights.

Other Investment Properties

One Central Macau was impacted by weakened sentiment in the luxury retail market and pandemic-related travel restrictions, although there were modest improvements in trading from August 2020 due to the gradual relaxation of border restrictions with the Chinese mainland. Occupancy was 92%, unchanged from the end of the prior year. Average retail rent in 2020 decreased to MOP$120 per sq. ft from MOP$207 per sq. ft in 2019 due to temporary rent relief.

In Jakarta, the office portfolio remains resilient due to its high quality and unique positioning, despite the continued surplus of city-wide office supply and ongoing impact of the pandemic. Occupancy was 72% at the end of 2020, compared to 77% at the end of 2019. On a committed basis, occupancy was 79%. The average net effective rent was US$15.8 per sq. m. in 2020, compared to US$16.8 per sq. m. in the prior year.

In Phnom Penh, the office component of EXCHANGE SQUARE, located in the heart of the city's emerging financial district, was 91% occupied at the end of 2020, unchanged from 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 to progress. This development has a gross floor area of 290,000 sq. m. and is expected to complete in 2026.

Performances at the Group's other investment properties were within expectations under current market conditions.

Review of Development Properties

Earnings from the Group's Development Properties segment were lower in 2020 than in 2019, primarily due to pandemic-related construction delays across the region and lower margins on the Chinese mainland caused by a change in sales mix.

Chinese Mainland

The Group's development properties on the Chinese mainland comprise 26 projects in seven cities, of which 12 projects are in Chongqing. As at 31st December 2020, the Group's net investment in development properties on the Chinese mainland was US$4.8 billion, compared to US$4.4 billion at the end of 2019.

The Group participated in a number of land auctions during the year, although it remained difficult to successfully secure new sites due to a highly competitive primary land market. The Group did, however, secure a 174,000 sq. m. wholly-owned predominantly residential project in Chongqing during the year, to further strengthen its already strong presence in the city. The site is located immediately adjacent to the Guanyinqiao CBD in a mature area that is master-planned for urban improvement. The project will be developed in two phases, with completion expected in 2025.

Market sentiment in the Group's core markets started to recover in the second quarter following the temporary closure of all sales galleries and the suspension of construction activities and has since remained stable. The Group's share of total contracted sales in 2020 was US$2,135 million, 14% higher than the US$1,868 million achieved in the prior year. The Group's attributable interest in revenue recognised in 2020, including its share of revenue in joint ventures and associates, increased by 13% to US$1,518 million from US$1,348 million in 2019.

At 31st December 2020, the Group's attributable interest in sold but not yet recognised contracted sales amounted to US$2,584 million, an increase of 39% from US$1,860 million at the end of 2019.

Chongqing, the largest city in western China, remains the most significant market for the Group, representing some 38% of its Chinese mainland Development Properties exposure. Including a newly acquired project during the year, the Group has six wholly-owned projects in Chongqing – Yorkville South, Yorkville North, River One, The Pinnacle, Beryl Grove and a yet to be named project adjacent to Guanyinqiao CBD that was acquired in December 2020 – and six 50%-owned joint ventures: New Bamboo Grove, Landmark Riverside, Central Avenue, Harbour Tale, Hillview, and Scholar's Mansion.

The Group's attributable interest in 2020 revenue from property sales in Chongqing, including its share of revenue in joint ventures and associates, decreased by 7% to US$1,000 million, from US$1,077 million in 2019. The Group's attributable interest in the developable area of its Chongqing projects at the end of 2020 totalled 4.3 million sq. m., compared to 4.1 million sq. m. at the end of 2019. Of this, construction of approximately 66% had been completed at the end of 2020, compared to 58% at the end of 2019.

Shanghai is the second largest market for the Group, representing some 20% of its Chinese mainland Development Properties exposure. The Group has four joint venture projects in Shanghai – Parkville, Galaxy Midtown, Irvine Bay and the trading component of the West Bund project.

The Group's attributable interest in the developable area of its Shanghai projects at the end of 2020 totalled 383,000 sq. m., compared to 256,000 sq. m. at the end of 2019. Of this, construction of approximately 31% had been completed at the end of 2020, compared to 46% at the end of 2019.

Nanjing is the third most significant market for the Group, representing some 19% of its Chinese mainland Development Properties exposure. The Group has three joint venture projects in Nanjing – Yue City, JL CENTRAL and River and City.

The Group's attributable interest in the developable area of its Nanjing projects at the end of 2020 totalled 336,000 sq. m., unchanged from the prior year. Construction of approximately 39% of this had been completed at the end of 2020, compared to nil at the end of 2019.

In the central business district of Beijing's Chaoyang District, the Group's 30%-owned Grade A office development of 127,000 sq. m. of gross floor area remains in the planning phase, with construction expected to commence in 2022.

Singapore

The wholly-owned 309-unit Margaret Ville residential project, with a developable area of 22,000 sq. m., was 98% pre-sold at the 2020 year-end, with completion scheduled in 2021.

Construction of the wholly-owned 1,404-unit Parc Esta residential project, with a developable area of 98,000 sq. m., is on schedule and is expected to complete in 2021. As at the end of 2020, 92% of units had been pre-sold.

Development of the 50%-owned 638-unit Leedon Green residential project, with a developable area of 49,000 sq. m., is on schedule for completion in 2022. At the end of 2020, 11% of the units had been pre-sold.

The Group's attributable interest in contracted sales was US$632 million in 2020, compared to US$669 million in the prior year. The Group's attributable interest in revenue recognised in 2020 was US$522 million, compared to US$516 million in the prior year.

At 31st December 2020, the Group's attributable interest in sold but not yet recognised contracted sales amounted to US$676 million, an increase of 18% from US$573 million at the end of 2019.

Other Development Properties

In Indonesia, development of the Group's projects was disrupted by the pandemic, with market sentiment yet to recover to pre-pandemic levels. Nava Park, the Group's 49%-owned joint venture, is a 68-hectare site in the southwest of Jakarta. Upon completion in 2031, Nava Park will comprise a mix of landed houses, villas, mid-rise apartments and low-rise commercial components. Of the 1,010 units that have been launched for sale, 77% had been pre-sold at the end of 2020.

Asya, a joint venture which includes Astra International, in which the Group has a 33.5% attributable interest, is a 67-hectare site located in the east of Jakarta. The project will yield a total developable area of approximately 896,000 sq. m., comprising landed houses, villas, apartments and low-rise commercial shophouses. It will be developed in multiple phases through to 2033. Of the 719 launched units, 43% had been pre-sold at the end of 2020.

Arumaya, the Group's 40%-owned joint venture with Astra International, is a 299-unit luxury condominium project located in South Jakarta. The project has a developable area of 24,000 sq. m., and is expected to complete in 2022. All of the units had been launched as at the end of 2020, with 32% of the units reserved or pre-sold.

Avania, the 50%-owned mixed-use development with Astra International situated in central Jakarta, will consist of over 650 high-end apartments and a Grade A office tower. The project has a developable area of 131,000 sq. m. and will be developed in two phases through to 2026. Sales launch for the first phase of the project is expected to commence in late 2021.

In the Philippines, development at Mandani Bay, a 40%-owned 20-hectare development in Cebu comprising principally residential units, continues to progress despite pandemic-related disruptions. The project will be developed in multiple phases through to 2036. Of the 4,179 residential and office units launched, 86% had been pre-sold at the end of 2020.

The Velaris, a 40%-owned joint venture project with Robinsons Land, is a two-hectare site situated in the Bridgetowne Township in Pasig City, Manila. The 1,953-unit luxury condominium project has a developable area of 144,000 sq. m. and will be developed in three phases through to 2031. Of the 185 units launched, 28% had been pre-sold at the end of 2020.

In Vietnam, the Marq, 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. Of the 412 units launched, 71% had been pre-sold at the end of 2020.

In Thailand, market sentiment has remained subdued since the onset of the pandemic. Construction of the Esse Sukhumvit 36, a 49%-owned 338-unit luxury condominium tower in the Sukhumvit area of Bangkok, was completed in early 2021. At the end of 2020, 64% of the project had been sold.

Nonthaburi, the Group's 49%-owned joint venture project, is a 1,217-unit luxury landed housing project located in Western Bangkok. The project has a total developable area of 434,000 sq. m. and is expected to be developed in four phases through to 2028. Lake Legend, the first phase of the project, comprises 57 landed houses. Of the 23 units launched, 26% had been pre-sold at the end of 2020.

King Kaew, a luxury residential project in which the Group has a 49% interest, is situated on King Kaew Road close to Suvarnabhumi International Airport. The project has a developable area of 178,000 sq. m. and will comprise 474 villas. It is expected to complete in 2029. The sales launch for the first phase of the project is expected to commence in mid-2021.

Wireless Road, a luxury condominium site in which the Group has a 49% interest, is situated on Wireless Road in Bangkok's central business district. The project has a total developable area of 64,000 sq. m., and will consist of over 700 units. Development will be in one phase, with completion expected in 2024. Sales launch for the first phase of the project is expected to commence in mid-2021.

Sustainability

Hongkong Land has been a landlord and developer of premium properties for more than 130 years. We strive to set an example of good corporate citizenship by having a well-designed sustainability strategy and governance structure and adopting global best practices. Our continued growth and progress on sustainability initiatives are guided and monitored by the Group's Sustainability Committee, which reports to the Board. We are in a strong position to continue integrating sustainability initiatives into our operational and financing activities, investment analysis and risk assessments.

During the year, the Group entered into a number of sustainability-linked loans with an aggregate facility amount of HK$4.4 billion. The facilities index tiered discounts to interest rates against ESG targets, which incentivise the Group to demonstrate continuous improvements in greenhouse gas emissions, electricity consumption, reducing food waste, and solar energy generation, whilst maintaining green building certifications for the Group's Central Portfolio.

In November 2020, the Group launched the HK$100 million Hongkong Land HOME FUND, which was established as a multi-year initiative to focus on creating initiatives which benefit younger generations and our aspiration to foster a more inclusive society. In its first phase of collaborations, the fund worked with three community organisations in a series of programmes that benefit younger generations and families facing housing issues in Hong Kong.

In recognition of our continued efforts to adhere to the highest environmental standards, the Group was awarded the 'Sustainability Achievement of the Year' at the RICS Awards 2020 in Hong Kong in relation to its management of the Hong Kong Central Portfolio.

Further details on the Group's approach to sustainability and related policies can be found on the Group's website at www.hkland.com/en/sustainability. The Group's sustainability performance for the financial year ended 31st December 2020 will be included in a standalone Sustainability Report to be published on the Group's website in the second quarter of 2021.

The Year Ahead

The Group continues to operate in a challenging environment and uncertainty remains about the duration of the pandemic and the impact it will have on the Group. Depending on overall economic conditions, the Group's Investment Properties portfolio is expected to remain resilient, underpinned by its high-quality tenant base. In the Development Properties business, it is hoped that higher completions on the Chinese mainland will lead to improved profit contributions. Higher financing costs are anticipated partly due to West Bund-related interest costs.

In the coming year, we will continue to uphold the very highest standards in delivering innovative offerings and world-class service to both our tenants and customers. These values are critical to the future success of the Group and remain our priority in order to protect our leading market positions and maintain strong shareholder returns over the long term.

Robert Wong
Chief Executive
11th March 2021

Financial Review

Results

Underlying Business Performance

	2020 US$m	2019 US$m
Investment Properties	**963**	1,064
Development Properties	**524**	675
Corporate costs	**(74)**	(83)
Underlying operating profit	**1,413**	1,656
Net financing charges	**(160)**	(188)
Tax	**(288)**	(370)
Non-controlling interests	**(2)**	(22)
Underlying profit attributable to shareholders	**963**	1,076
Non-trading items	**(3,610)**	(878)
(Loss)/profit attributable to shareholders	**(2,647)**	198
	US¢	US¢
Underlying earnings per share	**41.27**	46.12

Underlying business performance is summarised in the above table, including the Group's share of operating profit 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.

The Group's operating profit from Investment Properties was US$963 million, 9% lower than the previous year, primarily due to temporary rent relief provided to retail tenants and higher average office vacancy.

In Hong Kong, average rents for the office portfolio increased by 2% despite broadly neutral rental reversions, as the portfolio benefited from a number of leases which were concluded prior to the onset of the pandemic. Average rents for the retail portfolio decreased by 26%, predominantly as a result of temporary rent relief provided to tenants.

The Hong Kong Central Portfolio remains the Group's largest profit contributor, generating 85% of the operating profit contributed by the Group's Investment Properties, up by 2% compared to the prior year.

In Singapore, the Group's Investment Properties portfolio contributed 12% of total operating profits from Investment Properties, marginally higher than the 11% contributed in the prior year.

In Beijing, WF CENTRAL provided temporary rent relief in support of its tenants during the first half of the year. However, no further rent relief was provided in the second half as trading performance improved as a result of a strong recovery in luxury retail spending on the Chinese mainland.

Operating profits from Development Properties decreased by 22% from the previous year to US$524 million, principally due to pandemic-related construction delays and lower margins.

The operating profit contribution from Chinese mainland Development Properties was down by 26% from the previous year to US$414 million, mainly due to lower margins, with a higher ratio of completions arising from more recently acquired developments with higher relative land costs, despite a 13% increase in attributable revenue to US$1,518 million due to higher selling prices as a consequence of a higher proportion of completions from higher value developments in Hangzhou and Nanjing. Including the impact of Land Appreciation Tax which is accounted for within the tax line, the contribution from the Group's Chinese mainland Development Properties was down 28% from the prior year.

Revenue was recognised at the following projects in the Chinese mainland:

Project	City	Attributable interest %	Number of units handed over 2020	2019
WE City	Chengdu	50	**157**	2,293
Artisan Bay	Chengdu	33	**368**	–
Yorkville North	Chongqing	100	**664**	755
Yorkville South	Chongqing	100	**58**	1,700
Bamboo Grove	Chongqing	50	**–**	4
New Bamboo Grove	Chongqing	50	**602**	1,292
Landmark Riverside	Chongqing	50	**1,293**	410
Central Avenue	Chongqing	50	**340**	1,057
River One	Chongqing	100	**219**	–
Harbour Tale	Chongqing	50	**23**	–
Hangzhou Bay	Hangzhou	30	**662**	–
River and City	Nanjing	50	**861**	–
Parkville	Shanghai	50	**–**	112
Dream Land	Wuhan	50	**630**	–

In Singapore, operating profits from Development Properties decreased by 13% from the previous year to US$96 million due to pandemic-related construction delays and lower margins on more recently acquired projects. The Group's attributable interest in revenue recognised was US$522 million, compared to US$516 million in 2019.

In other parts of Southeast Asia, the Group recorded higher recognised profits in 2020 compared to the prior year primarily due to higher completions in Thailand partially offset by fewer completions in Indonesia.

Net financing charges of US$160 million were 15% lower than the prior year primarily due to lower average borrowing costs and higher capitalised interest. Weighted average borrowing costs were 3.2%, compared to 3.8% in the prior year.

The Group's tax charge decreased by 22% to US$288 million, with an effective tax rate of 23%, lower than the prior year's 25% effective tax rate due to lower Land Appreciation Tax paid and withholding tax provided in relation to the Group's Development Properties on the Chinese mainland.

In 2020, underlying profit attributable to shareholders was US$963 million, 11% lower than the prior year.

Non-Trading Items

In 2020, the Group had net non-trading losses of US$3,610 million compared to US$878 million in 2019. These arose principally on revaluations of the Group's investment properties, including its share of joint ventures, which were performed at 31st December 2020 by independent valuers.

The loss on valuation came primarily from the Group's Central office portfolio in Hong Kong due to a decrease in open market rents, with no change in capitalisation rates. The Central Portfolio decreased in value by 10% to US$28.1 billion.

Cash Flows

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

	2020 US$m	2019 US$m
Operating activities		
Operating profit, excluding non-trading items	**959**	1,170
Net interest	**(178)**	(145)
Tax paid	**(268)**	(116)
Payments for Development Properties sites	**(184)**	(353)
Expenditure on Development Properties projects	**(435)**	(522)
Sales proceeds from Development Properties	**1,108**	1,143
Dividends received from joint ventures	**113**	420
Others	**(134)**	(415)
	981	1,182
Investing activities		
Major renovations capex	**(129)**	(116)
Repayments from/(investments in and advances to) associates and joint ventures	**599**	(646)
Development expenditure	**(4,499)**	(28)
Disposal of subsidiaries and other investments	**2,613**	158
Others	**–**	(26)
	(1,416)	(658)
Financing activities		
Dividends paid by the Company	**(510)**	(510)
Net drawdown of borrowings	**1,458**	25
Others	**(5)**	(6)
	943	(491)
Net increase in cash and cash equivalents	**508**	33
Cash and cash equivalents at 1st January	**1,418**	1,369
Effect of exchange rate changes	**64**	16
Cash and cash equivalents at 31st December	**1,990**	1,418

The cash inflows from operating activities for the year were US$981 million, compared with US$1,182 million in the prior year. The decrease of US$201 million was principally due to lower dividends from the Group's joint venture Development Properties projects, partially offset by fewer new Development Properties sites acquired.

The Group's operating profit from its subsidiaries (excluding non-trading items) was US$959 million, 18% lower than the prior year, largely due to an increased contribution from wholly-owned Development Properties projects in the Chinese mainland, partially offset by lower contributions from wholly-owned Development Properties projects in Singapore. Net interest paid of US$178 million was US$33 million higher than in 2019 due to higher average net borrowings. In 2020, US$184 million was paid by the Group to acquire wholly-owned Development Properties sites, including The Riverside in Hangzhou (US$112 million) and the Xiaoyuan Project (US$70 million), a newly secured project in Chongqing, as compared to US$353 million in 2019. Sales proceeds from wholly-owned Development Properties were US$35 million lower at US$1,108 million, principally due to lower sales proceeds from projects in Singapore. Dividends received from joint ventures decreased by US$307 million to US$113 million, predominately due to receipts from Bamboo Grove in the Chinese mainland in 2019.

Cash outflows from investing activities were US$1,416 million, compared to US$658 million in the prior year. Net repayments from the Group's joint venture projects totalled US$599 million, compared to US$646 million in net investments and advances in the prior year primarily due to fewer new joint venture Development Properties projects secured compared to the prior year. Development expenditure of US$4,499 million was predominantly for the acquisition of the West Bund site in Shanghai before being sold down to a 43% interest which is recorded within the disposal of subsidiaries and other investments line, whilst capital expenditure of US$129 million for major renovations principally relates to the Group's Hong Kong Central Portfolio.

Under financing activities, the Company paid dividends of US$510 million, being the 2019 final dividend of US¢16.00 per share and the 2020 interim dividend of US¢6.00 per share, unchanged compared to the prior year. The Group had a net drawdown of borrowings of US$1,458 million during the year.

Cash and cash equivalents were US$572 million higher at the end of 2020. Taken together with an increase in borrowings, the Group's net debt at 31st December 2020 increased to US$4,568 million, from US$3,591 million at the beginning of the year.

Year-end debt summary*

	2020 US$m	2019 US$m
US$ bonds/notes	**2,122**	1,514
HK$ bonds/notes	**1,657**	1,478
HK$ bank loans	**945**	433
S$ bonds/notes	**224**	331
S$ bank loans	**399**	255
RMB bank loans	**862**	621
PHP bank loans	**–**	7
THB bank loans	**356**	376
Gross debt	**6,565**	5,015
Cash	**1,997**	1,424
Net debt	**4,568**	3,591

* Before currency swaps

Capital Management

The Group's capital management policies are set out on page 71.

New Investments

During 2020, the Group committed to invest, based on its equity contribution and share of project level debt, US$3.5 billion in new projects including its 43% interest in the West Bund site (2019: US$1.2 billion). The Group continues to assess new investment opportunities, which are expected to be funded by a combination of internal resources and external financing from banks and the debt capital markets.

Dividends

The Board is recommending a final dividend of US¢16.00 per share for 2020, providing a total annual dividend of US¢22.00 per share, the same as last year. The final dividend will be payable on 12th May 2021, subject to approval at the Annual General Meeting to be held on 5th May 2021, to shareholders on the register of members at the close of business on 26th March 2021. No scrip alternative is being offered in respect of the dividend.

Treasury Policy

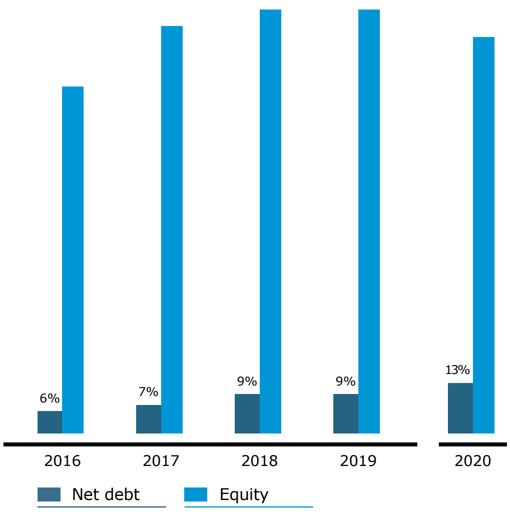
The Group manages its treasury activities within established risk management objectives and policies using a variety of techniques and instruments. The main objectives are to manage exchange, interest rate and liquidity risks and to provide a degree of certainty in respect of costs. The investment of 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 committed facilities headroom 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 strike 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 at the end of the year was 13%, compared with 9% at the end of 2019. 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 8.8 times, unchanged from the prior year.

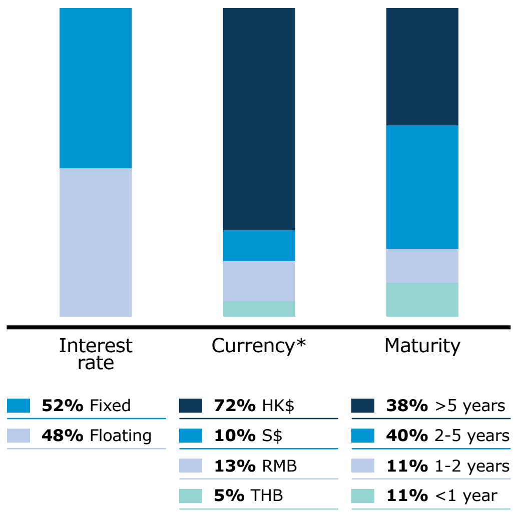


Net debt as a percentage of equity

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

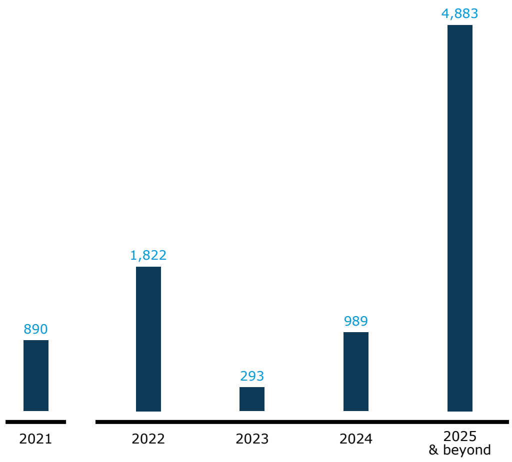
The average tenor of the Group's debt was 6.6 years at 31st December 2020, up from 6.1 years at the end of 2019, benefiting from increased issuance of long dated bonds out of the Group's MTN programme. Approximately 48% of the Group's borrowings were at floating rates and the remaining 52% were either fixed rate borrowings or covered by interest rate hedges with major credit worthy financial institutions, broadly in line with the end of 2019.

At 31st December 2020, the Group had total committed lines of approximately US$8.9 billion. Of these lines, 55% were sourced from banks with the remaining 45% from the capital markets. At the end of 2020, the Group had drawn US$6.6 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 2020 of US$4.3 billion, up from US$3.2 billion at the end of 2019.



Debt profile at 31st December 2020

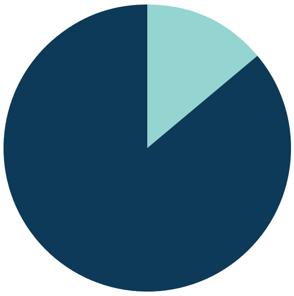
* After currency swaps



Committed facility maturity at 31st December 2020 (US$m)

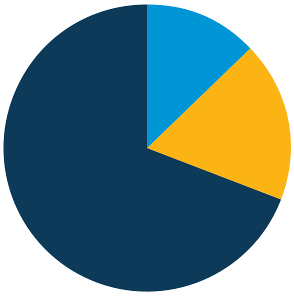
Gross Assets

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



86% Investment Properties
14% Development Properties

Gross assets by activity



69% Hong Kong
13% Southeast Asia
18% Chinese mainland 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 93.

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 2019 annual financial statements.

Simon Dixon
Chief Financial Officer
11th March 2021

Directors' Profiles

Ben Keswick Chairman

Mr Keswick joined the Board as Managing Director in April 2012 and held the position until June 2020. He has been Chairman since 2013. He was also managing director of Dairy Farm, Jardine Matheson, Jardine Strategic and Mandarin Oriental from 2012 to 2020. Mr Keswick 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 is executive chairman of Jardine Matheson and Jardine Strategic, and chairman of Dairy Farm, Jardine Cycle & Carriage and Mandarin Oriental. Mr Keswick is also a director of Yonghui Superstores and a commissioner of Astra. He has an MBA from INSEAD.

John Witt* Managing Director

Mr Witt rejoined the Board as Managing Director in June 2020, having previously served as the Chief Financial Officer between 2010 and 2016. He has been with the Jardine Matheson group since 1993 and has held a number of senior finance positions, including group finance director of Jardine Matheson from 2016 to 2020. Mr Witt is chairman of Jardine Matheson Limited, group managing director of Jardine Matheson and managing director of Dairy Farm, Jardine Strategic and Mandarin Oriental. He is also a director of Jardine Pacific and Jardine Motors, and a commissioner and chairman of the executive committee of Astra. Mr Witt is a Chartered Accountant and has an MBA from INSEAD.

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.

Adam Keswick

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

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, 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 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 and Singapore Telecommunications. She is also a member of the Catalist Advisory Panel, and the corporate governance advisory committee of the Monetary Authority of Singapore, 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 and chairman of Hong Kong of Jardine Matheson, and chairman of Jardine Pacific. 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, Gammon, Jardine Matheson (China), Jardine Strategic, Mandarin Oriental and Greatview. He is chairman of the Hong Kong Tourism Board, deputy chairman of the Hong Kong Management Association, a member of the Council and General Committee of the Hong Kong General Chamber of Commerce and the Employers' Federation of Hong Kong.

Lord Powell of Bayswater, KCMG

Lord Powell rejoined the Board in 2008, having first served as a Director between 1992 and 2000. He was previously Private Secretary and adviser on foreign affairs and defence to British Prime Ministers Baroness Thatcher and 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.

Prijono Sugiarto

Mr Sugiarto joined the Board in 2020. He is the president commissioner of Astra and was the president and group CEO from 2010 to 2020. Mr Sugiarto is the chairman of the German Indonesian Chamber of Commerce. In 2014, he was awarded Asia Business Leader of The Year from CNBC.

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 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 2020

		2020			2019		
		Underlying business performance	**Non-trading items**	**Total**	Underlying business performance	Non-trading items	Total
	Note	**US$m**	**US$m**	**US$m**	US$m	US$m	US$m
Revenue	*3*	**2,094.2**	**–**	**2,094.2**	2,319.7	–	2,319.7
Net operating costs	*4*	**(1,135.2)**	**1.0**	**(1,134.2)**	(1,149.3)	34.4	(1,114.9)
Change in fair value of investment properties	*9*	**–**	**(3,443.4)**	**(3,443.4)**	–	(854.2)	(854.2)
Operating (loss)/profit		**959.0**	**(3,442.4)**	**(2,483.4)**	1,170.4	(819.8)	350.6
Net financing charges	*5*						
– financing charges		**(194.9)**	**–**	**(194.9)**	(204.8)	–	(204.8)
– financing income		**79.0**	**–**	**79.0**	83.4	–	83.4
		(115.9)	**–**	**(115.9)**	(121.4)	–	(121.4)
Share of results of associates and joint ventures	*6*						
– before change in fair value of investment properties		**267.5**	**–**	**267.5**	272.7	–	272.7
– change in fair value of investment properties	*9*	**–**	**(175.4)**	**(175.4)**	–	(32.6)	(32.6)
		267.5	**(175.4)**	**92.1**	272.7	(32.6)	240.1
(Loss)/profit before tax		**1,110.6**	**(3,617.8)**	**(2,507.2)**	1,321.7	(852.4)	469.3
Tax	*7*	**(149.5)**	**4.9**	**(144.6)**	(246.6)	(20.5)	(267.1)
(Loss)/profit after tax		**961.1**	**(3,612.9)**	**(2,651.8)**	1,075.1	(872.9)	202.2
Attributable to:							
Shareholders of the Company		**963.3**	**(3,610.7)**	**(2,647.4)**	1,076.4	(878.4)	198.0
Non-controlling interests		**(2.2)**	**(2.2)**	**(4.4)**	(1.3)	5.5	4.2
		961.1	**(3,612.9)**	**(2,651.8)**	1,075.1	(872.9)	202.2

		US¢		**US¢**	US¢		US¢
Earnings per share (basic and diluted)	*8*	**41.27**		**(113.43)**	46.12		8.48

Consolidated Statement of Comprehensive Income

for the year ended 31st December 2020

	Note	2020 US$m	2019 US$m
(Loss)/profit for the year		**(2,651.8)**	202.2
Other comprehensive income/(expense)			
Items that will not be reclassified to profit or loss:			
Remeasurements of defined benefit plans		**1.7**	2.2
Tax on items that will not be reclassified	7	**(0.3)**	(0.4)
		1.4	1.8
Items that may be reclassified subsequently to profit or loss:			
Net exchange translation differences			
– net gain arising during the year		**400.9**	166.3
Cash flow hedges			
– net (loss)/gain arising during the year		**(20.8)**	25.7
– transfer to profit and loss		**(0.4)**	(0.6)
		(21.2)	25.1
Tax relating to items that may be reclassified	7	**3.5**	(4.1)
Share of other comprehensive income of associates and joint ventures		**242.4**	29.5
		625.6	216.8
Other comprehensive income for the year, net of tax		**627.0**	218.6
Total comprehensive (expense)/income for the year		**(2,024.8)**	420.8
Attributable to:			
Shareholders of the Company		**(2,025.1)**	418.0
Non-controlling interests		**0.3**	2.8
		(2,024.8)	420.8

Consolidated Balance Sheet

at 31st December 2020

	Note	**2020** **US$m**	2019 US$m
Net operating assets			
Fixed assets		**125.2**	127.6
Right-of-use assets		**12.4**	12.4
Investment properties	*10*	**30,083.3**	33,191.2
Associates and joint ventures	*11*	**8,921.2**	7,226.1
Non-current debtors	*12*	**42.0**	48.1
Deferred tax assets	*13*	**35.5**	26.9
Pension assets		**0.7**	0.1
Non-current assets		**39,220.3**	40,632.4
Properties for sale	*14*	**1,948.8**	2,042.0
Current debtors	*12*	**1,081.7**	1,141.3
Current tax assets		**14.4**	19.5
Bank balances	*15*	**1,996.6**	1,424.0
Current assets		**5,041.5**	4,626.8
Current creditors	*16*	**(1,572.0)**	(1,460.8)
Current borrowings	*17*	**(689.5)**	(715.3)
Current tax liabilities		**(153.0)**	(261.0)
Current liabilities		**(2,414.5)**	(2,437.1)
Net current assets		**2,627.0**	2,189.7
Long-term borrowings	*17*	**(5,875.4)**	(4,299.9)
Deferred tax liabilities	*13*	**(195.8)**	(210.9)
Pension liabilities		**(1.3)**	(1.5)
Non-current creditors	*16*	**(36.3)**	(20.0)
		35,738.5	38,289.8
Total equity			
Share capital	*18*	**233.4**	233.4
Share premium		**257.3**	257.3
Revenue and other reserves		**35,218.4**	37,756.1
Shareholders' funds		**35,709.1**	38,246.8
Non-controlling interests		**29.4**	43.0
		35,738.5	38,289.8

Approved by the Board of Directors

Robert Wong
Simon Dixon
Directors
11th March 2021

Consolidated Statement of Changes in Equity

for the year ended 31st December 2020

	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
2020									
At 1st January		**233.4**	**257.3**	**38,039.8**	**8.3**	**(292.0)**	**38,246.8**	**43.0**	**38,289.8**
Total comprehensive (expense)/income		**–**	**–**	**(2,646.0)**	**(29.9)**	**650.8**	**(2,025.1)**	**0.3**	**(2,024.8)**
Dividends paid by the Company	*19*	**–**	**–**	**(513.4)**	**–**	**–**	**(513.4)**	**–**	**(513.4)**
Dividends paid to non-controlling shareholders		**–**	**–**	**–**	**–**	**–**	**–**	**(0.9)**	**(0.9)**
Unclaimed dividends forfeited		**–**	**–**	**0.8**	**–**	**–**	**0.8**	**–**	**0.8**
Disposal of a subsidiary		**–**	**–**	**–**	**–**	**–**	**–**	**(13.0)**	**(13.0)**
At 31st December		**233.4**	**257.3**	**34,881.2**	**(21.6)**	**358.8**	**35,709.1**	**29.4**	**35,738.5**
2019									
At 1st January		233.4	257.3	38,352.7	(8.8)	(493.1)	38,341.5	28.0	38,369.5
Total comprehensive income		–	–	199.8	17.1	201.1	418.0	2.8	420.8
Dividends paid by the Company	*19*	–	–	(513.4)	–	–	(513.4)	–	(513.4)
Dividends paid to non-controlling shareholders		–	–	–	–	–	–	(0.9)	(0.9)
Unclaimed dividends forfeited		–	–	0.7	–	–	0.7	–	0.7
Acquisition of a subsidiary		–	–	–	–	–	–	13.1	13.1
At 31st December		233.4	257.3	38,039.8	8.3	(292.0)	38,246.8	43.0	38,289.8

Consolidated Cash Flow Statement

for the year ended 31st December 2020

	Note	2020 US$m	2019 US$m
Operating activities			
Operating (loss)/profit		**(2,483.4)**	350.6
Depreciation and amortisation	*4*	**15.3**	13.6
Change in fair value of investment properties	*10*	**3,443.4**	854.2
Gain on disposal of subsidiaries/other investments	*4*	**(7.2)**	(34.4)
Decrease/(increase) in properties for sale		**164.2**	(1.1)
Decrease/(increase) in debtors		**19.1**	(186.7)
Increase in creditors		**162.5**	26.7
Interest received		**42.3**	50.3
Interest and other financing charges paid		**(220.1)**	(195.2)
Tax paid		**(267.9)**	(115.5)
Dividends from associates and joint ventures		**112.9**	419.6
Cash flows from operating activities		**981.1**	1,182.1
Investing activities			
Major renovations expenditure		**(129.1)**	(116.4)
Developments capital expenditure	*20a*	**(4,499.1)**	(27.3)
Repayments from/(investments in and advances to) associates and joint ventures	*20b*	**599.0**	(646.0)
Acquisition of a subsidiary		**–**	(25.8)
Proceeds received for disposal of subsidiaries	*20c*	**4,619.0**	–
Deposits refunded for disposal of subsidiaries	*20c*	**(2,005.7)**	–
Proceeds on disposal of other investments		**–**	157.5
Cash flows from investing activities		**(1,415.9)**	(658.0)
Financing activities			
Drawdown of borrowings		**3,726.9**	1,334.5
Repayment of borrowings		**(2,268.8)**	(1,309.2)
Principal elements of lease payments		**(4.6)**	(5.1)
Dividends paid by the Company		**(509.6)**	(510.1)
Dividends paid to non-controlling shareholders		**(0.9)**	(0.9)
Cash flows from financing activities		**943.0**	(490.8)
Net cash inflow		**508.2**	33.3
Cash and cash equivalents at 1st January		**1,418.0**	1,368.9
Effect of exchange rate changes		**64.2**	15.8
Cash and cash equivalents at 31st December	*20d*	**1,990.4**	1,418.0

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 27.

The Group has elected to early adopt the 'Interest Rate Benchmark Reform – Phase 1: Amendments to IFRS 9, IAS 39 and IFRS 7' (effective 1st January 2020) in relation to hedge accounting for the Group's annual reporting period commencing 1st January 2019.

Apart from the above, amendments which are effective in 2020 and relevant to the Group's operations do not have a significant effect on the Group's accounting policies.

The Group has not early adopted any standard, interpretation or amendment that has been issued but not yet effective (refer Note 28).

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 and are described on pages 29 to 30.

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.

	2020				2019			
	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	**1,073.5**	**1,020.7**	**–**	**2,094.2**	1,142.6	1,177.1	–	2,319.7
Net operating costs	**(238.6)**	**(822.4)**	**(74.2)**	**(1,135.2)**	(224.0)	(842.3)	(83.0)	(1,149.3)
Share of operating profit of associates and joint ventures	**127.8**	**325.9**	**–**	**453.7**	145.0	340.5	–	485.5
Underlying operating profit	**962.7**	**524.2**	**(74.2)**	**1,412.7**	1,063.6	675.3	(83.0)	1,655.9
Net financing charges								
– subsidiaries				**(115.9)**				(121.4)
– share of associates and joint ventures				**(44.2)**				(66.6)
				(160.1)				(188.0)
Tax								
– subsidiaries				**(149.5)**				(246.6)
– share of associates and joint ventures				**(138.2)**				(123.6)
				(287.7)				(370.2)
Non-controlling interests								
– subsidiaries				**2.2**				1.3
– share of associates and joint ventures				**(3.8)**				(22.6)
				(1.6)				(21.3)
Underlying profit attributable to shareholders				**963.3**				1,076.4
Non-trading items:								
– change in fair value of investment properties				**(3,611.7)**				(912.8)
– gain on disposal of subsidiaries/ other investments				**1.0**				34.4
				(3,610.7)				(878.4)
(Loss)/profit attributable to shareholders				**(2,647.4)**				198.0

2 Segmental Information continued

	Revenue		Underlying operating profit		Underlying profit attributable to shareholders	
	2020	2019	**2020**	2019	**2020**	2019
	US$m	US$m	**US$m**	US$m	**US$m**	US$m
By geographical location						
Hong Kong and Macau	**986.7**	1,042.0	**812.7**	902.3	**812.7**	902.3
Chinese mainland	**537.4**	711.3	**414.6**	563.9	**404.8**	525.8
Southeast Asia and others	**570.1**	566.4	**259.6**	272.7	**257.9**	272.0
Corporate, net financing charges and tax	**–**	–	**(74.2)**	(83.0)	**(512.1)**	(623.7)
	2,094.2	2,319.7	**1,412.7**	1,655.9	**963.3**	1,076.4

	Segment assets					
	Investment properties US$m	Development properties for sale US$m	Others US$m	Segment liabilities US$m	Unallocated assets and liabilities US$m	Total assets and liabilities US$m
By business						
2020						
Investment Properties	**36,093.2**	**–**	**374.4**	**(751.0)**	**–**	**35,716.6**
Development Properties	**–**	**9,001.2**	**450.5**	**(2,920.2)**	**–**	**6,531.5**
Unallocated assets and liabilities	**–**	**–**	**–**	**–**	**(6,509.6)**	**(6,509.6)**
	36,093.2	**9,001.2**	**824.9**	**(3,671.2)**	**(6,509.6)**	**35,738.5**
2019						
Investment Properties	37,820.1	–	366.0	(767.8)	–	37,418.3
Development Properties	–	7,823.9	773.8	(2,410.4)	–	6,187.3
Unallocated assets and liabilities	–	–	–	–	(5,315.8)	(5,315.8)
	37,820.1	7,823.9	1,139.8	(3,178.2)	(5,315.8)	38,289.8
By geographical location						
2020						
Hong Kong and Macau	**28,971.1**	**154.8**	**158.8**	**(565.5)**	**–**	**28,719.2**
Chinese mainland	**2,466.5**	**6,948.1**	**401.6**	**(2,768.5)**	**–**	**7,047.7**
Southeast Asia and others	**4,655.6**	**1,898.3**	**264.5**	**(337.2)**	**–**	**6,481.2**
Unallocated assets and liabilities	**–**	**–**	**–**	**–**	**(6,509.6)**	**(6,509.6)**
	36,093.2	**9,001.2**	**824.9**	**(3,671.2)**	**(6,509.6)**	**35,738.5**
2019						
Hong Kong and Macau	32,156.5	153.3	149.8	(540.7)	–	31,918.9
Chinese mainland	917.4	5,607.7	602.3	(2,231.4)	–	4,896.0
Southeast Asia and others	4,746.2	2,062.9	387.7	(406.1)	–	6,790.7
Unallocated assets and liabilities	–	–	–	–	(5,315.8)	(5,315.8)
	37,820.1	7,823.9	1,139.8	(3,178.2)	(5,315.8)	38,289.8

Development properties for sale include properties for sale, contract assets and cost to fulfill contracts. Unallocated assets and liabilities include tax assets and liabilities, bank balances and borrowings.

3 Revenue

	2020 US$m	2019 US$m
Rental income	**937.6**	998.8
Service income	**147.5**	152.6
Sales of properties		
– recognised at a point in time	**484.3**	652.6
– recognised over time	**524.8**	515.7
	1,009.1	1,168.3
	2,094.2	2,319.7

Total variable rents included in rental income amounted to US$19.9 million (2019: US$16.2 million).

The maturity analysis of lease payments, showing the undiscounted lease payments to be received after the balance sheet date are as follow:

	2020 US$m	2019 US$m
Within one year	**800.8**	877.3
Between one and two years	**601.0**	653.8
Between two and five years	**788.9**	970.0
Beyond five years	**280.1**	356.4
	2,470.8	2,857.5

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 are transferred to receivables when the rights become unconditional which usually occurs when the customers are billed.

Costs to fulfil contracts includes costs recognised to fulfil future performance obligations on existing contracts that have not yet been satisfied. 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 which are 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.

3 Revenue continued

Contract balances continued

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

	2020 US$m	2019 US$m
Contract assets (see Note 12)	**290.3**	102.7
Contract liabilities (see Note 16)	**(487.0)**	(265.7)

At 31st December 2020, costs to fulfil contracts and costs to obtain contracts amounted to US$364.2 million (2019: US$345.0 million) and US$17.1 million (2019: US$14.2 million), and US$412.1 million (2019: US$396.9 million) and US$17.2 million (2019: US$12.7 million) have been recognised in profit and loss during the year respectively.

Revenue recognised in relation to contract liabilities

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

	2020 US$m	2019 US$m
Properties for sale	**167.8**	286.1

Revenue expected to be recognised on unsatified contracts with customers

The timing of revenue to be recognised on unsatified performance obligations relating to properties for sale at 31st December 2020:

	2020 US$m	2019 US$m
Within one year	**1,058.0**	566.3
Between one and two years	**86.4**	439.4
Between two and three years	**68.6**	–
	1,213.0	1,005.7

4 Net Operating Costs

	2020 US$m	2019 US$m
Cost of sales	**(982.6)**	(989.6)
Other income	**31.2**	25.9
Administrative expenses	**(190.0)**	(185.6)
Gain on disposal of subsidiaries/other investments	**7.2**	34.4
	(1,134.2)	(1,114.9)

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

	2020 US$m	2019 US$m
Cost of properties for sale recognised as expense	**(769.1)**	(789.8)
Operating expenses arising from investment properties	**(191.5)**	(179.6)
Depreciation of fixed assets	**(10.8)**	(8.3)
Depreciation of right-of-use assets	**(4.5)**	(5.3)
Employee benefit expense		
– salaries and benefits in kind	**(173.6)**	(167.1)
– defined contribution pension plans	**(1.8)**	(1.8)
– defined benefit pension plans	**(1.9)**	(1.9)
	(177.3)	(170.8)
Auditors’ remuneration		
– audit	**(2.2)**	(2.0)
– non-audit services	**(0.7)**	(0.3)
	(2.9)	(2.3)

The number of employees at 31st December 2020 was 2,686 (2019: 2,403).

In relation to the COVID-19 pandemic, the Group had received government grants, the majority of which were in support of employee retention, and rent concessions of US$9.6 million and US$0.9 million, respectively for the year ended 31st December 2020. These subsidies were accounted for as other income.

5 Net Financing Charges

	2020 US$m	2019 US$m
Interest expense		
– bank loans and overdrafts	**(65.1)**	(60.0)
– other borrowings	**(139.6)**	(134.2)
Total interest expense	**(204.7)**	(194.2)
Interest capitalised	**22.2**	1.2
	(182.5)	(193.0)
Commitment and other fees and exchange differences	**(12.4)**	(11.8)
Financing charges	**(194.9)**	(204.8)
Financing income	**79.0**	83.4
	(115.9)	(121.4)

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

6 Share of Results of Associates and Joint Ventures

	2020 US$m	2019 US$m
By business		
Investment Properties	**75.2**	78.3
Development Properties	**192.3**	194.4
Underlying business performance	**267.5**	272.7
Non-trading items:		
Change in fair value of investment properties	**(175.4)**	(32.6)
	92.1	240.1

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$1,294.9 million (2019: US$1,074.5 million).

7 Tax

Tax charged to profit and loss is analysed as follows:

	2020 US$m	2019 US$m
Current tax	**(164.5)**	(247.8)
Deferred tax		
– changes in fair value of investment properties	**4.9**	(16.5)
– other temporary differences	**15.0**	(2.8)
	19.9	(19.3)
	(144.6)	(267.1)

Reconciliation between tax expense and tax at applicable tax rate:

	2020 US$m	2019 US$m
Tax at applicable tax rate	**409.4**	(71.6)
Change in fair value of investment properties not deductible in determining taxable profit	**(562.6)**	(157.0)
Income not subject to tax	**30.7**	47.6
Expenses not deductible in determining taxable profit	**(12.1)**	(14.3)
Withholding tax	**27.3**	(17.3)
Land appreciation tax in Chinese mainland	**(30.2)**	(49.2)
Tax losses arising in the year not recognised	**(6.7)**	(4.6)
Others	**(0.4)**	(0.7)
	(144.6)	(267.1)

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

	2020 US$m	2019 US$m
Remeasurements of defined benefit plans	**(0.3)**	(0.4)
Cash flow hedges	**3.5**	(4.1)
	3.2	(4.5)

The applicable tax rate for the year of 15.8% (2019: 31.2%) 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$125.9 million (2019: US$136.2 million) is included in share of results of associates and joint ventures.

8 Earnings per Share

Earnings per share are calculated on loss attributable to shareholders of US$2,647.4 million (2019: profit of US$198.0 million) and on the weighted average number of 2,333.9 million (2019: 2,333.9 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:

	2020		2019	
	US$m	**Earnings per share US¢**	US$m	Earnings per share US¢
Underlying profit attributable to shareholders	**963.3**	**41.27**	1,076.4	46.12
Non-trading items (see Note 9)	**(3,610.7)**		(878.4)	
(Loss)/profit attributable to shareholders	**(2,647.4)**	**(113.43)**	198.0	8.48

9 Non-trading Items

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

	2020 US$m	2019 US$m
Change in fair value of investment properties	**(3,443.4)**	(854.2)
Tax on change in fair value of investment properties	**4.9**	(20.5)
Gain on disposal of subsidiaries/other investments	**1.0**	34.4
Share of results of associates and joint ventures		
– change in fair value of investment properties	**(187.7)**	(20.0)
– tax on change in fair value of investment properties	**12.3**	(12.6)
	(175.4)	(32.6)
Non-controlling interests	**2.2**	(5.5)
	(3,610.7)	(878.4)

10 Investment Properties

	Completed commercial properties US$m	Under development commercial properties US$m	Completed residential properties US$m	Total US$m
2020				
At 1st January	**32,867.1**	**49.7**	**274.4**	**33,191.2**
Exchange differences	**201.2**	**433.4**	**1.2**	**635.8**
Additions	**116.3**	**4,504.7**	**0.3**	**4,621.3**
Disposal of subsidiaries	**–**	**(4,921.6)**	**–**	**(4,921.6)**
Transfer	**6.0**	**(6.0)**	**–**	**–**
Decrease in fair value	**(3,423.6)**	**(15.9)**	**(3.9)**	**(3,443.4)**
At 31st December	**29,767.0**	**44.3**	**272.0**	**30,083.3**
Freehold properties				**159.8**
Leasehold properties				**29,923.5**
				30,083.3
2019				
At 1st January	33,385.5	47.4	279.2	33,712.1
Exchange differences	188.8	–	1.8	190.6
Additions	141.2	1.3	0.2	142.7
(Decrease)/increase in fair value	(848.4)	1.0	(6.8)	(854.2)
At 31st December	32,867.1	49.7	274.4	33,191.2
Freehold properties				172.3
Leasehold properties				33,018.9
				33,191.2

The Group measures its investment properties at fair value. The fair values of the Group's investment properties at 31st December 2020 and 2019 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 engaged Jones Lang LaSalle to value its commercial investment properties in Hong Kong, Chinese mainland, 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 97. The valuations are comprehensively reviewed by the Group.

At 31st December 2020, investment properties of US$964.4 million (2019: US$917.4 million) were pledged as security for borrowings (see Note 17).

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, Chinese mainland 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' views 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 2020:

			Range of significant unobservable inputs	
Location of properties	**Fair value US$m**	**Valuation method**	**Prevailing market rent per month US$**	**Capitalisation/ discount rate %**
Hong Kong	**28,078.2**	Income capitalisation	5.2 to 29.4 per square foot	2.75 to 5.00
Chinese mainland	**964.4**	Income capitalisation	104.4 per square metre	3.75
Singapore	**593.2**	Income capitalisation	7.6 to 8.8 per square foot	3.50 to 4.80
Vietnam and Cambodia	**131.2**	Discounted cash flow	19.2 to 42.4 per square metre	12.50 to 15.00
Total	**29,767.0**			

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

	2020 US$m	2019 US$m
Unlisted associates		
– share of attributable net assets	**60.8**	41.4
– amounts due from associates	**422.8**	223.1
	483.6	264.5
Unlisted joint ventures		
– share of attributable net assets	**6,021.0**	4,476.0
– amounts due from joint ventures	**2,416.6**	2,485.6
	8,437.6	6,961.6
	8,921.2	7,226.1
By business		
Investment Properties	**5,132.1**	3,753.7
Development Properties	**3,789.1**	3,472.4
	8,921.2	7,226.1

Amounts due from associates are interest free, unsecured and have no fixed terms of repayment.

Amounts due from joint ventures bear interests at rates ranging from approximately 0% to 8% per annum and are repayable within one to fifteen years.

Movements of associates and joint ventures during the year:

	Associates		Joint ventures	
	2020 US$m	2019 US$m	2020 US$m	2019 US$m
At 1st January	**264.5**	199.9	**6,961.6**	6,494.8
Exchange differences	**(14.8)**	6.9	**(15.7)**	40.5
Share of results after tax and non-controlling interests	**4.2**	8.2	**87.9**	231.9
Share of other comprehensive income/(expense) after tax and non-controlling interests	**29.2**	(0.5)	**213.2**	30.0
Dividends received and receivable	**(0.8)**	(1.0)	**(110.8)**	(415.3)
Investments in and advances to/(repayments from) associates and joint ventures	**201.3**	51.0	**(817.5)**	595.0
Transfer from subsidiaries on partial disposal of interests (see Note 20c)	**–**	–	**2,118.9**	–
Transfer to subsidiary on further acquisition of interests	**–**	–	**–**	(15.3)
At 31st December	**483.6**	264.5	**8,437.6**	6,961.6

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 2020 and 2019:

Name of entity	Nature of business	Country of incorporation/ principal place of business	% of ownership interest 2020	2019
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

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
2020				
Non-current assets	**1,261.1**	**3,700.1**	**2,875.4**	**2,807.7**
Current assets				
Cash and cash equivalents	**81.1**	**12.4**	**22.9**	**15.4**
Other current assets	**35.4**	**3.2**	**2.1**	**4.0**
Total current assets	**116.5**	**15.6**	**25.0**	**19.4**
Non-current liabilities				
Financial liabilities (excluding trade payables)	**–**	**(1,293.5)**	**(1,257.9)**	**(801.9)**
Other non-current liabilities (including trade payables)	**(133.6)**	**–**	**(21.5)**	**(204.0)**
Total non-current liabilities	**(133.6)**	**(1,293.5)**	**(1,279.4)**	**(1,005.9)**
Current liabilities				
Financial liabilities (excluding trade payables)	**–**	**(0.8)**	**(12.9)**	**(5.0)**
Other current liabilities (including trade payables)	**(54.1)**	**(62.4)**	**(35.4)**	**(48.7)**
Total current liabilities	**(54.1)**	**(63.2)**	**(48.3)**	**(53.7)**
Net assets	**1,189.9**	**2,359.0**	**1,572.7**	**1,767.5**
2019				
Non-current assets	1,356.9	3,755.7	2,909.6	2,857.6
Current assets				
Cash and cash equivalents	58.4	11.6	23.6	12.4
Other current assets	34.8	0.6	1.8	5.2
Total current assets	93.2	12.2	25.4	17.6
Non-current liabilities				
Financial liabilities (excluding trade payables)	–	(1,268.8)	(1,206.5)	(775.1)
Other non-current liabilities (including trade payables)	(144.6)	–	(21.3)	(209.9)
Total non-current liabilities	(144.6)	(1,268.8)	(1,227.8)	(985.0)
Current liabilities				
Financial liabilities (excluding trade payables)	–	(0.8)	(12.6)	(4.9)
Other current liabilities (including trade payables)	(48.2)	(56.0)	(36.3)	(43.5)
Total current liabilities	(48.2)	(56.8)	(48.9)	(48.4)
Net assets	1,257.3	2,442.3	1,658.3	1,841.8

11 Associates and Joint Ventures continued

Summarised financial information for material 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
2020				
Revenue	**48.0**	**151.3**	**118.8**	**113.2**
Depreciation and amortisation	**(6.7)**	**–**	**–**	**–**
Interest income	**0.3**	**0.1**	**0.1**	**0.1**
Interest expense	**(0.1)**	**(35.1)**	**(27.7)**	**(16.0)**
Profit from underlying business performance	**14.2**	**81.5**	**64.7**	**69.4**
Tax	**(1.6)**	**(13.7)**	**(11.0)**	**(11.9)**
Profit after tax from underlying business performance	**12.6**	**67.8**	**53.7**	**57.5**
Loss after tax from non-trading items	**(85.1)**	**(123.3)**	**(86.6)**	**(92.8)**
Loss after tax	**(72.5)**	**(55.5)**	**(32.9)**	**(35.3)**
Other comprehensive income	**5.1**	**41.9**	**1.2**	**18.9**
Total comprehensive expense	**(67.4)**	**(13.6)**	**(31.7)**	**(16.4)**
Group's share of dividends received and receivable from joint ventures	**–**	**23.2**	**18.0**	**19.3**
2019				
Revenue	85.6	161.0	120.7	110.6
Depreciation and amortisation	(8.5)	–	–	–
Interest income	0.3	0.3	0.3	0.2
Interest expense	(0.3)	(50.8)	(34.0)	(25.2)
Profit from underlying business performance	39.7	75.1	58.4	57.6
Tax	(4.7)	(12.7)	(9.9)	(9.9)
Profit after tax from underlying business performance	35.0	62.4	48.5	47.7
Profit/(loss) after tax from non-trading items	(24.1)	21.3	21.6	12.3
Profit after tax	10.9	83.7	70.1	60.0
Other comprehensive income	7.6	45.3	9.0	26.7
Total comprehensive income	18.5	129.0	79.1	86.7
Group's share of dividends received and receivable from joint ventures	20.1	25.1	16.2	15.9

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
2020				
Net assets	**1,189.9**	**2,359.0**	**1,572.7**	**1,767.5**
Interest in joint ventures (%)	**49.0**	**33.3**	**33.3**	**33.3**
Group's share of net assets in joint ventures	**583.0**	**786.3**	**524.2**	**589.2**
Amounts due from joint ventures	**–**	**431.2**	**–**	**37.1**
Carrying value	**583.0**	**1,217.5**	**524.2**	**626.3**
2019				
Net assets	1,257.3	2,442.3	1,658.3	1,841.8
Interest in joint ventures (%)	49.0	33.3	33.3	33.3
Group's share of net assets in joint ventures	616.1	814.1	552.8	613.9
Amounts due from joint ventures	–	422.9	–	35.9
Carrying value	616.1	1,237.0	552.8	649.8

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.

	2020 US$m	2019 US$m
Share of profit	**164.5**	155.0
Share of other comprehensive income/(expense)	**190.3**	(0.7)
Share of total comprehensive income	**354.8**	154.3
Carrying amount of interests in these joint ventures	**5,486.6**	3,905.9

At 31st December 2020, the Group's commitments to provide funding to its joint ventures, if called, amounted to US$720.9 million (2019: US$1,024.0 million).

There were no contingent liabilities relating to the Group's interests in the joint ventures at 31st December 2020 and 2019.

12 Debtors

	2020 US$m	2019 US$m
Trade debtors	**53.2**	112.4
Contract assets (see Note 3)	**290.3**	102.7
Other debtors		
– third parties	**725.2**	919.3
– associates and joint ventures	**55.0**	55.0
	1,123.7	1,189.4
Non-current	**42.0**	48.1
Current	**1,081.7**	1,141.3
	1,123.7	1,189.4
By geographical area of operation		
Hong Kong and Macau	**152.8**	136.3
Chinese mainland	**186.0**	397.6
Southeast Asia and others	**784.9**	655.5
	1,123.7	1,189.4

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

Significant financial difficulties of a debtor, probability that a 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. Changes in certain macroeconomic information, such as GDP and inflation rate, are relevant for determining expected credit loss rates. 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.

12 Debtors continued

The loss allowance as at 31st December 2020 and 2019:

	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
2020					
Expected loss rate (%)	**–**	**1**	**10**	**18**	**1**
Gross carrying amount – trade debtors	**39.8**	**6.3**	**6.1**	**2.8**	**55.0**
Gross carrying amount – contract assets	**290.3**	**–**	**–**	**–**	**290.3**
Loss allowance	**(0.6)**	**(0.1)**	**(0.6)**	**(0.5)**	**(1.8)**
2019					
Expected loss rate (%)	–	–	–	–	–
Gross carrying amount – trade debtors	105.9	2.9	3.1	0.5	112.4
Gross carrying amount – contract assets	102.7	–	–	–	102.7
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:

	2020 US$m	2019 US$m
Costs to fulfil contracts (see Note 3)	**364.2**	345.0
Costs to obtain contracts (see Note 3)	**17.1**	14.2
Prepayments	**176.4**	351.2
Derivative financial instruments	**33.4**	30.5
Amounts due from associates and joint ventures	**55.0**	55.0
Others	**134.1**	178.4
	780.2	974.3

13 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
2020					
At 1st January	**4.1**	**(92.3)**	**(27.5)**	**(68.3)**	**(184.0)**
Exchange differences	**0.3**	**(0.4)**	**(0.7)**	**(4.1)**	**(4.9)**
Credited/(charged) to profit and loss	**4.8**	**(5.2)**	**4.9**	**15.4**	**19.9**
Charged to other comprehensive income	**–**	**–**	**–**	**3.2**	**3.2**
Disposal of subsidiaries	**–**	**–**	**–**	**5.5**	**5.5**
At 31st December	**9.2**	**(97.9)**	**(23.3)**	**(48.3)**	**(160.3)**
Deferred tax assets	**9.2**	**–**	**–**	**26.3**	**35.5**
Deferred tax liabilities	**–**	**(97.9)**	**(23.3)**	**(74.6)**	**(195.8)**
	9.2	**(97.9)**	**(23.3)**	**(48.3)**	**(160.3)**
2019					
At 1st January	1.3	(88.2)	(11.2)	(55.4)	(153.5)
Exchange differences	(0.1)	(0.5)	0.2	(0.4)	(0.8)
Credited/(charged) to profit and loss	2.9	(3.6)	(16.5)	(2.1)	(19.3)
Credited to other comprehensive income	–	–	–	(4.5)	(4.5)
Acquisition of a subsidiary	–	–	–	(5.9)	(5.9)
At 31st December	4.1	(92.3)	(27.5)	(68.3)	(184.0)
Deferred tax assets	4.1	–	–	22.8	26.9
Deferred tax liabilities	–	(92.3)	(27.5)	(91.1)	(210.9)
	4.1	(92.3)	(27.5)	(68.3)	(184.0)

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$23.1 million (2019: US$15.3 million) arising from unused tax losses of US$100.9 million (2019: US$67.8 million) have not been recognised in the financial statements. Included in the unused tax losses, US$14.8 million (2019: US$12.3 million) have no expiry date and the balance will expire at various dates up to and including 2024.

14 Properties for Sale

	2020 US$m	2019 US$m
Properties under development	**1,741.0**	1,824.4
Completed properties	**239.6**	230.9
	1,980.6	2,055.3
Provision for impairment	**(31.8)**	(13.3)
	1,948.8	2,042.0

At 31st December 2020, properties under development which were not scheduled for completion within the next 12 months amounted to US$1,098.0 million (2019: US$1,131.1 million).

15 Bank Balances

	2020 US$m	2019 US$m
Deposits with banks and financial institutions	**1,847.3**	1,267.3
Bank balances	**149.3**	156.7
	1,996.6	1,424.0
By currency		
Chinese renminbi	**1,306.1**	603.7
Hong Kong dollar	**59.4**	124.9
Malaysian ringgit	**30.4**	30.3
Singapore dollar	**373.4**	166.0
United States dollar	**224.0**	496.0
Others	**3.3**	3.1
	1,996.6	1,424.0

The weighted average interest rate on deposits with banks and financial institutions is 0.9% (2019: 2.0%) per annum.

16 Creditors

	2020 US$m	2019 US$m
Trade creditors	**622.3**	620.1
Other creditors	**174.4**	274.9
Tenants' deposits	**281.6**	280.3
Derivative financial instruments	**16.1**	4.7
Rent received in advance	**21.2**	29.2
Contract liabilities – properties for sale (see Note 3)	**487.0**	265.7
Lease liabilities	**5.7**	5.9
	1,608.3	1,480.8
Non-current	**36.3**	20.0
Current	**1,572.0**	1,460.8
	1,608.3	1,480.8
By geographical area of operation		
Hong Kong and Macau	**609.2**	572.2
Chinese mainland	**859.5**	723.9
Southeast Asia and others	**139.6**	184.7
	1,608.3	1,480.8

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.

17 Borrowings

	2020		2019	
	Carrying amount US$m	**Fair value US$m**	Carrying amount US$m	Fair value US$m
Current				
Bank overdrafts	**6.2**	**6.2**	6.0	6.0
Bank loans	**100.3**	**100.3**	383.8	383.8
Current portion of long-term borrowings				
– bank loans	**516.8**	**516.8**	21.4	21.4
– notes	**66.2**	**66.2**	304.1	305.4
	689.5	**689.5**	715.3	716.6
Long-term				
Bank loans	**1,939.1**	**1,939.1**	1,281.5	1,281.5
Notes	**3,936.3**	**4,275.4**	3,018.4	3,176.3
	5,875.4	**6,214.5**	4,299.9	4,457.8
	6,564.9	**6,904.0**	5,015.2	5,174.4
Secured	**801.6**		653.2	
Unsecured	**5,763.3**		4,362.0	
	6,564.9		5,015.2	

17 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 0.3% to 4.9% (2019: 1.4% to 6.4%) 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 2020 and 2019 were certain subsidiaries' bank borrowings which were secured against their investment properties and properties for sale.

The movements in borrowings are as follow:

	Bank overdrafts US$m	Long-term borrowings US$m	Short-term borrowings US$m	Total US$m
2020				
At 1st January	**6.0**	**4,299.9**	**709.3**	**5,015.2**
Exchange differences	**–**	**88.6**	**(12.3)**	**76.3**
Transfer	**–**	**(518.0)**	**518.0**	**–**
Change in fair value	**–**	**15.1**	**–**	**15.1**
Change in bank overdrafts	**0.2**	**–**	**–**	**0.2**
Drawdown of borrowings	**–**	**3,550.1**	**176.8**	**3,726.9**
Repayment of borrowings	**–**	**(1,560.3)**	**(708.5)**	**(2,268.8)**
At 31st December	**6.2**	**5,875.4**	**683.3**	**6,564.9**
2019				
At 1st January	6.3	4,145.2	787.5	4,939.0
Exchange differences	–	(0.9)	37.5	36.6
Transfer	–	(315.4)	315.4	–
Change in fair value	–	14.6	–	14.6
Change in bank overdrafts	(0.3)	–	–	(0.3)
Drawdown of borrowings	–	1,052.6	281.9	1,334.5
Repayment of borrowings	–	(596.2)	(713.0)	(1,309.2)
At 31st December	6.0	4,299.9	709.3	5,015.2

17 Borrowings continued

The borrowings are further summarised as follows:

	Fixed rate borrowings				
	Weighted average interest rates %	Weighted average period outstanding Years	US$m	Floating rate borrowings US$m	Total US$m
By currency					
2020					
Hong Kong dollar	**3.1**	**7.4**	**3,142.3**	**1,581.7**	**4,724.0**
Singapore dollar	**2.2**	**14.7**	**291.8**	**330.5**	**622.3**
Chinese renminbi	**4.9**	**–**	**–**	**862.3**	**862.3**
Thai baht	**1.8**	**–**	**–**	**356.3**	**356.3**
			3,434.1	**3,130.8**	**6,564.9**
2019					
Hong Kong dollar	4.1	6.5	2,306.0	1,054.2	3,360.2
Singapore dollar	3.1	11.4	397.5	253.2	650.7
Chinese renminbi	5.0	–	–	620.8	620.8
Thai baht	1.8	–	–	376.2	376.2
Others	4.0	–	–	7.3	7.3
			2,703.5	2,311.7	5,015.2

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

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

	2020 US$m	2019 US$m
Floating rate borrowings	**3,130.8**	2,311.7
Fixed rate borrowings		
– within one year	**–**	239.7
– between one and two years	**267.4**	–
– between two and three years	**248.2**	266.6
– between three and four years	**199.2**	246.0
– between four and five years	**646.2**	199.0
– beyond five years	**2,073.1**	1,752.2
	3,434.1	2,703.5
	6,564.9	5,015.2

17 Borrowings continued

Details of notes outstanding at 31st December are as follows:

	Maturity	2020 Current US$m	2020 Non-current US$m	2019 Current US$m	2019 Non-current US$m
Medium term notes					
HK$500m 10-year notes at 4.22%	2020	–	–	64.3	–
HK$500m 10-year notes at 4.24%	2020	–	–	64.2	–
S$150m 10-year notes at 3.43%	2020	–	–	111.4	–
HK$500m 10-year notes at 3.95%	2020	–	–	64.2	–
HK$500m 12-year notes at 4.28%	2021	**66.2**	–	–	65.5
HK$410m 10-year notes at 3.86%	2022	–	**52.8**	–	52.5
US$500m 10-year notes at 4.50%*	2022	–	**504.8**	–	497.5
HK$305m 10-year notes at 3.00%	2022	–	**39.3**	–	39.1
HK$200m 10-year notes at 2.90%	2022	–	**25.8**	–	25.6
HK$1,100m 10-year notes at 3.95%	2023	–	**141.5**	–	140.8
HK$300m 10-year notes at 3.95%	2023	–	**38.6**	–	38.4
US$400m 10-year notes at 4.625%*	2024	–	**414.3**	–	406.7
HK$300m 15-year notes at 4.10%	2025	–	**38.6**	–	38.4
US$600m 15-year notes at 4.50%*	2025	–	**607.6**	–	609.1
HK$302m 15-year notes at 3.75%	2026	–	**38.8**	–	38.6
HK$785m 15-year notes at 4.00%	2027	–	**100.2**	–	99.7
HK$473m 15-year notes at 4.04%	2027	–	**60.9**	–	60.7
HK$200m 15-year notes at 3.95%	2027	–	**25.7**	–	25.6
HK$300m 15-year notes at 3.15%	2028	–	**38.3**	–	38.1
HK$325m 15-year notes at 4.22%	2028	–	**41.7**	–	41.5
HK$450m 10-year notes at 3.83%	2028	–	**57.9**	–	57.6
HK$355m 10-year notes at 3.75%	2028	–	**45.6**	–	45.4
HK$400m 15-year notes at 4.40%	2029	–	**51.1**	–	50.8
HK$550m 10-year notes at 2.93%	2029	–	**70.8**	–	70.5
US$600m 10-year notes at 2.875%*	2030	–	**594.7**	–	–
HK$800m 20-year notes at 4.11%	2030	–	**103.2**	–	102.8
HK$200m 20-year notes at 4.125%	2031	–	**25.5**	–	25.4
HK$240m 20-year notes at 4.00%	2032	–	**30.5**	–	30.3
HK$863m 12-year notes at 2.83%	2032	–	**110.3**	–	–
HK$700m 15-year notes at 4.12%	2033	–	**89.6**	–	89.2
HK$604m 15-year notes at 3.67%	2034	–	**77.5**	–	77.2
HK$400m 15-year notes at 2.72%	2035	–	**51.1**	–	–
HK$400m 15-year notes at 2.90%	2035	–	**50.9**	–	–
HK$400m 15-year notes at 2.90%	2035	–	**50.9**	–	–
HK$800m 15-year notes at 2.65%	2035	–	**102.0**	–	–
S$150m 20-year notes at 3.95%	2038	–	**111.3**	–	109.2
S$150m 20-year notes at 3.45%	2039	–	**112.4**	–	110.2
HK$250m 30-year notes at 5.25%	2040	–	**32.1**	–	32.0
		66.2	**3,936.3**	304.1	3,018.4

* Listed on the Singapore Exchange

18 Share Capital

	Ordinary shares in millions 2020	2019	2020 US$m	2019 US$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 and 31st December	**2,333.9**	2,333.9	**233.4**	233.4

19 Dividends

	2020 US$m	2019 US$m
Final dividend in respect of 2019 of US¢16.00 (2018: US¢16.00) per share	**373.4**	373.4
Interim dividend in respect of 2020 of US¢6.00 (2019: US¢6.00) per share	**140.0**	140.0
	513.4	513.4

A final dividend in respect of 2020 of US¢16.00 (2019: US¢16.00) per share amounting to a total of US$373.4 million (2019: US$373.4 million) is proposed by the Board. The dividend proposed will not be accounted for until it has been approved at the 2021 Annual General Meeting. The amount will be accounted for as an appropriation of revenue reserves in the year ending 31st December 2021.

20 Notes to Consolidated Cash Flow Statement

a) Development capital expenditure in 2020 included US$4,484.5 million for a prime mixed used site in the Xuhui District of Shanghai, Chinese mainland.

b) Repayments from/(investments in and advances to) associates and joint ventures

	2020 US$m	2019 US$m
By business		
Investment Properties	**(0.9)**	(1.7)
Development Properties	**599.9**	(644.3)
	599.0	(646.0)
By geographical location		
Chinese mainland	**572.4**	(456.9)
Southeast Asia and others	**26.6**	(189.1)
	599.0	(646.0)

20 Notes to Consolidated Cash Flow Statement continued

c) Disposal of subsidiaries

	2020 US$m
Fair value of assets and liabilities of subsidiaries disposed of	
Non-current assets	**4,922.0**
Current assets	**85.0**
Non-current liabilities	**(5.9)**
Current liabilities	**(19.3)**
Non-controlling interests	**(13.0)**
Net assets	**4,968.8**
Profit on disposal	**7.2**
Transfer to joint venture upon partial disposal of interest in subsidiaries	**(2,118.9)**
Translation differences on disposal proceeds received	**(235.4)**
Consideration	**2,621.7**
Cash and cash equivalents of subsidiaries disposed of	**(8.4)**
Net cash inflow for disposal of subsidiaries	**2,613.3**
Analysis of net cash inflow for disposal of subsidiaries:	
Proceeds received for disposal of subsidiaries	**4,619.0**
Deposits refunded for disposal of subsidiaries	**(2,005.7)**
	2,613.3

Net cash inflow for disposal of subsidiaries in 2020 included US$47.1 million for disposal of 80% interest in a development properties project in Vietnam and US$2,566.2 million for 57% interest in a prime mixed used project in the Xuhui District of Shanghai, Chinese mainland.

d) Cash and cash equivalents

	2020 US$m	2019 US$m
Bank balances (see Note 15)	**1,996.6**	1,424.0
Bank overdrafts (see Note 17)	**(6.2)**	(6.0)
	1,990.4	1,418.0

21 Derivative Financial Instruments

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

	2020		2019	
	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	**–**	**3.3**	–	1.8
– cross currency swaps	**9.7**	**12.8**	19.7	–
Designated as fair value hedges				
– interest rate swaps	**1.7**	**–**	1.3	–
– cross currency swaps	**22.0**	**–**	9.5	2.9

Interest rate swaps

The notional principal amounts of the outstanding interest rate swap contracts designated as fair value hedges and cash flow hedges at 31st December 2020 were US$64.5 million (2019: US$64.2 million) and US$68.1 million (2019: US$66.8 million) respectively.

The fair values of interest rate swaps are based on the estimated cash flows discounted at market rates ranging from 0.2% to 0.4% (2019: 1.5% to 2.4%) per annum.

Cross currency swaps

The contract amounts of the outstanding cross currency swap contracts at 31st December 2020 were US$2,100.0 million (2019: US$1,567.0 million).

The outstanding interest rate swaps and cross currency swaps of an aggregate notional principal and contract amount of US$1.7 billion are impacted by the IBORs reform.

22 Capital Commitments

	2020 US$m	2019 US$m
Authorised not contracted	**3.9**	7.9
Contracted not provided		
– contributions to joint ventures	**720.9**	1,024.0
– others	**104.0**	112.8
	824.9	1,136.8
	828.8	1,144.7

23 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.

24 Related Party Transactions

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

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

Management fee
The management fee payable by the Group, under an agreement entered into in 1995, to Jardine Matheson Limited ('JML') in 2020 was US$4.8 million (2019: US$5.4 million), being 0.5% per annum of the Group's underlying profit in consideration for management consultancy services provided by JML, a wholly-owned subsidiary of JMH.

Property and other services
The Group rented properties to Jardine Matheson group members. Gross rents on such properties in 2020 amounted to US$19.3 million (2019: US$24.1 million).

The Group provided project management services and property management services to Jardine Matheson group members in 2020 amounting to US$3.7 million (2019: US$3.0 million).

Jardine Matheson group members provided property maintenance and other services to the Group in 2020 in aggregate amounting to US$63.1 million (2019: US$61.4 million).

Hotel management services
Jardine Matheson group members provided hotel management services to the Group in 2020 amounting to US$1.6 million (2019: US$2.1 million).

Outstanding balances with associates and joint ventures
Amounts of outstanding balances with associates and joint ventures are included in associates and joint ventures, debtors and creditors as appropriate (see Notes 11, 12 and 16).

Directors' emoluments
Details of Directors' emoluments (being the key management personnel compensation) are shown on page 90 under the heading of 'Remuneration in 2020'.

25 Summarised Balance Sheet of the Company

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

	2020 US$m	2019 US$m
Net operating assets		
Investments at cost		
Unlisted shares in subsidiaries	**4,481.7**	4,481.7
Amounts due from subsidiaries	**2,328.5**	1,819.4
	6,810.2	6,301.1
Creditors and other accruals	**(35.1)**	(32.8)
	6,775.1	6,268.3
Total equity		
Share capital (see Note 18)	**233.4**	233.4
Revenue and other reserves		
Contributed surplus	**2,249.6**	2,249.6
Share premium	**257.3**	257.3
Revenue reserves	**4,034.8**	3,528.0
	6,541.7	6,034.9
Shareholders' funds	**6,775.1**	6,268.3

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.

26 Principal Subsidiaries, Associates and Joint Ventures

The principal subsidiaries, associates and joint ventures of the Group at 31st December 2020 are set out below.

	Attributable interest 2020 %	Attributable interest 2019 %	Issued share capital		Main activities	Place of incorporation
Subsidiaries						
Hongkong Land China Holdings Ltd*	**100**	100	USD	200,000,000	Investment holding	Bermuda
Hongkong Land International Holdings Ltd*	**100**	100	USD	200,000,000	Investment holding	Bermuda
Hongkong Land Ltd*	**100**	100	USD	12,000	Group management	Bermuda
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	4,033,804,249	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	550,990,000	Property development	Chinese mainland
Hongkong Land (Chongqing North) Development Co Ltd	**100**	100	HKD	3,980,000,000	Property development	Chinese mainland
Hongkong Land (Chongqing) Investment and Holding Co Ltd	**100**	100	USD	2,200,000,000	Investment holding	Chinese mainland
Hongkong Land (Chonqqing) Xinchen Development Co Ltd	**100**	100	RMB	900,000,000	Property development	Chinese mainland
Hongkong Land (Chongqing) Xingyi Development Co Ltd	**100**	100	RMB	480,000,000	Property development	Chinese mainland
Hongkong Land (Hangzhou) Heyue Investment and Development Co Ltd	**100**	100	RMB	706,000,000	Property development	Chinese mainland
Wangfu Central Real Estate Development Co Ltd	**84**	84	RMB	3,500,000,000	Property investment	Chinese mainland
HKL (Esplanade) Pte Ltd	**100**	100	SGD	150,000,000	Property investment	Singapore
HKL Treasury (Singapore) Pte Ltd	**100**	100	SGD SGD	2 63,138,529†	Finance	Singapore
Hongkong Land (Singapore) Pte Ltd	**100**	100	SGD SGD	1 519,525,895†	Project management	Singapore
The Hongkong Land Treasury Services (Singapore) Pte Ltd	**100**	100	SGD	2	Finance	Singapore

* Owned directly
† Preference shares

26 Principal Subsidiaries, Associates and Joint Ventures continued

	Attributable interest 2020 %	2019 %	Issued share capital		Main activities	Place of incorporation
Subsidiaries continued						
MCL Land Limited	**100**	100	SGD	511,736,041	Investment holding	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
Hongkong Land (Premium Development) Ltd	**100**	100	Riels	4,000,000	Property investment	Cambodia
MCL Land (Quinn) Sdn Bhd	**100**	100	MYR	2,764,210	Property development	Malaysia
MCL Land (Century Gardens) Sdn Bhd	**100**	100	MYR	29,117,145	Investment holding	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
HKL (Thai Developments) Ltd	**100**	100	Baht	2,592,000,000	Investment holding	Thailand
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	Intra-group financing	British Virgin Islands
The Hongkong Land Finance (Cayman Islands) Co Ltd	**100**	100	USD	2	Intra-group financing	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	Chinese mainland
Beijing Premium Real Estate Ltd	**40**	40	USD	12,000,000	Property development	Chinese mainland
Chongqing Central Park Co Ltd	**50**	50	HKD	4,640,000,000	Property development	Chinese mainland
Chongqing Lijia Development Co Ltd	**50**	50	RMB	533,596,100	Property development	Chinese mainland
Chengdu Premium Property Development Co Ltd	**50**	50	USD	699,980,000	Property development	Chinese mainland
China West Premier Housing Development Co Ltd	**50**	50	USD	569,960,000	Property development	Chinese mainland
Hangzhou Kesheng Property Development Co Ltd	**30**	30	RMB	50,000,000	Property development	Chinese mainland
Hangzhou Keyi Property Development Co Ltd	**30**	30	RMB	150,000,000	Property development	Chinese mainland
Hongkong Land (Chengdu) Xingyi Development Co Ltd	**33**	33	RMB	50,000,000	Property development	Chinese mainland

26 Principal Subsidiaries, Associates and Joint Ventures continued

	Attributable interest 2020 %	2019 %	Issued share capital		Main activities	Place of incorporation
Associates and joint ventures continued						
Hongkong Land Longfor (Chongqing) Hongmao Development Co Ltd	**50**	50	RMB	2,000,000,000	Property development	Chinese mainland
Longfor Hongkong Land (Chongqing) Development Co Ltd	**50**	50	RMB	1,275,920,000	Property development	Chinese mainland
Nanjing Shengxiangyuan Property Development Co Ltd	**33**	33	RMB	3,000,000,000	Property development	Chinese mainland
Nanjing Xinyeezhi Property Development Co Ltd	**50**	50	USD	750,000,000	Property development	Chinese mainland
Nanjing Yeezhi Jiangbei Property Development Co Ltd	**50**	50	RMB	1,500,000,000	Property development	Chinese mainland
Shanghai Xinqiaogao Development Co Ltd	**26.7**	26.7	RMB	4,000,000,000	Property development	Chinese mainland
Shanghai Xujing Property Co Ltd	**50**	50	RMB	4,200,000,000	Property development	Chinese mainland
Shanghai Yihui Development Co Ltd	**50**	50	RMB	830,000,000	Property development	Chinese mainland
Wuhan Dream Land Investment and Development Co Ltd	**50**	50	RMB	1,200,000,000	Property development	Chinese mainland
Wuhan Yeezhi Minghong Development Co Ltd	**66**	66	RMB	600,000,000	Property development	Chinese mainland
Yeezhi Yuexiang (Chongqing) Development Co Ltd	**50**	50	RMB	260,000,000	Property development	Chinese mainland
Asia Radiant Pte Ltd	**50**	50	SGD	4,000,000	Property development	Singapore
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
Universal Estate Pte Ltd	**50**	50	SGD	2	Investment Holding	Singapore
PT Astra Modern Land	**33.5**	33.5	IDR	3,870,000,000,000	Property development	Indonesia
PT Award Global Infinity	**50**	50	IDR	257,981,171,800	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	1,065,000,000	Property development	The Philippines
Central and Hongkong Land Co Ltd	**49**	49	THB	4,986,250,000	Property development	Thailand
CPN and HKL Co Ltd	**49**	49	THB	4,000,000	Property development	Thailand

26 Principal Subsidiaries, Associates and Joint Ventures continued

	Attributable interest 2020 %	2019 %	Issued share capital		Main activities	Place of incorporation
Associates and joint ventures continued						
PFHKL 1 Co Ltd	**49**	49	THB	5,000,000	Property development	Thailand
PFHKL 2 Co Ltd	**49**	49	THB	5,000,000	Property development	Thailand
PFHKL 3 Co Ltd	**49**	49	THB	5,000,000	Property development	Thailand
PFHKL 4 Co., Ltd.	**49**	49	THB	5,000,000	Property development	Thailand
PFHKL 5 Co., Ltd.	**49**	49	THB	5,000,000	Property development	Thailand
PFHKL 6 Co., Ltd.	**49**	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
NDC An Khang Joint Stock Co	**70**	70	VND	2,861,000,000,000	Property development	Vietnam
Jardine Gibbons Properties Ltd	**40**	40	BD	600,000 'A' 400,000 'B'	Property investment	Bermuda

27 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.

27 Principal Accounting Policies continued

Basis of consolidation continued

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

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

Foreign currencies

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

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

Exchange differences arising from the retranslation of the net investment in foreign subsidiaries, associates and joint ventures, and of financial instruments which are designated as hedges of such investments, are recognised in other comprehensive income and accumulated in equity under exchange reserves. On the disposal of these investments, 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.

27 Principal Accounting Policies continued

Fixed assets and depreciation

The building component of owner-occupied leasehold properties are stated at cost less accumulated depreciation and impairment. Other fixed assets are stated at cost less amounts provided for depreciation.

Depreciation of 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:

Hotel property	20 – 30 years
Furniture, equipment and motor vehicles	3 – 10 years

Where the carrying amount of a 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 fixed assets is recognised by reference to their carrying amount.

Leases

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

i) As a lessee

The Group enters into property leases for use as offices, as well as leases for motor vehicles for use in its operations.

The Group recognises right-of-use assets and lease liabilities at the lease commencement dates, that is the dates the underlying assets are available for use. Right-of-use assets are measured at cost, less any accumulated depreciation and impairment, and adjusted for any remeasurement of lease liabilities. The cost of the right-of-use assets includes amounts of the initial measurement of lease liabilities recognised, lease payments made at or before the commencement dates less any lease incentives received, initial direct costs incurred and restoration costs. Right-of-use assets are depreciated using the straight-line method over the shorter of their estimated useful lives and the lease terms.

When right-of-use assets meet the definition of investment properties, they are presented in investment properties, and are initially measured at cost and subsequently measured at fair value, in accordance with the Group’s accounting policy.

The Group also has interests in leasehold land for use in its operations. Lump sum payments were made upfront to acquire these land interests from their previous registered owners or governments in the jurisdictions where the land is located. There are no ongoing payments to be made under the term of the land leases, other than insignificant lease renewal costs or payments based on rateable value set by the relevant government authorities. These payments are stated at cost and are amortised over the term of the lease which includes the renewal period if the lease can be renewed by the Group without significant cost.

Lease liabilities are measured at the present value of lease payments to be made over the lease terms. Lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised and payments of penalties for terminating a lease, if the lease term reflects the Group exercising that option. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. Lease liabilities are measured at amortised cost using the effective interest method. After the commencement date, the amount of lease liabilities is increased by the interest costs on the lease liabilities and decreased by lease payments made.

27 Principal Accounting Policies continued

Leases continued

i) As a lessee continued

The carrying amount of lease liabilities is remeasured when there is a change in the lease term, or there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise an extension or a termination option. When the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of right-of-use asset has been reduced to zero.

The Group has elected not to recognise right-of-use assets and lease liabilities for leases of low value assets (i.e. US$5,000 or less) and short-term leases. Low value assets comprised IT equipment and small items of office furniture. Short-term leases are leases with a lease term of 12 months or less. Lease payments associated with these leases are recognised on a straight-line basis as an expense in profit and loss over the lease term.

Lease liabilities are classified as non-current liabilities unless payments are within 12 months from the balance sheet date.

ii) As a lessor

The Group enters into contracts with lease components as a lessor on its investment properties. These leases are operating leases as they do not transfer the risk and rewards incidental to the underlying investment properties. The Group recognises the lease payments received under these operating leases on a straight line basis over the lease term as part of revenue in the profit and loss.

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.

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, construction and other development costs, and borrowing 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.

27 Principal Accounting Policies continued

Provisions

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

Borrowings and borrowing costs

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

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

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Current and deferred tax

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

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

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

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

Pension obligations

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

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

Actuarial gains and losses 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.

27 Principal Accounting Policies continued

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.

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.

27 Principal Accounting Policies continued

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; gains and losses arising from the sale of businesses and investment properties; impairment of non-depreciable intangible assets; 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.

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 accruals basis over the lease term.

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.

27 Principal Accounting Policies continued

Pre-operating costs

Pre-operating costs are expensed as they are incurred.

Government grants

Grants from government are recognised at their fair values where there is reasonable assurance that the grants will be received, and the Group will comply with the conditions associated with the grants.

Grants that compensate the Group for expenses incurred are recognised in the profit and loss as other income on a systematic basis in the period in which the expenses are recognised. Unconditional grants are recognised in the profit and loss as other income when they become receivable.

Grants related to assets are deducted in arriving at the carrying value of the related assets.

28 Standards and Amendments Issued but Not Yet Effective

A number of new standard and amendments effective for accounting periods beginning after 2020 have been published and will be adopted by the Group from their effective dates. The Group is currently assessing the potential impact of these standard and amendments but expects their adoption will not have a significant impact on the Group's consolidated financial statements. The more important standard and amendments are set out below.

i) Interest Rate Benchmark Reform – Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 (effective from 1st January 2021) provides a number of practical expedients as a result of the reform which affect the measurement of financial assets, financial liabilities and lease liabilities, and a number of reliefs for hedging relationships. The Group will apply the amendments from 1st January 2021, but it is not expected the adoption will have a significant impact on the Group's consolidated financial statements.

ii) Amendment to IFRS 9: 'Fees in the '10 per cent' Test for Derecognition of Financial Liabilities' (effective from 1st January 2022) clarifies the requirement to derecognise the original financial liability and recognise a new financial liability where there is an exchange between an existing borrower and lender of debt instrument with substantially different terms. The amendments clarifies that the terms are substantially different if the discounted present value of the cash flows under the new terms using the original effective interest rate, including any fees paid net of any fees received, is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability. The Group will apply the amendment from 1st January 2022, but it is not expected the adoption will have a significant impact on the Group's consolidated financial statements.

iii) Amendments to IAS 37 – Onerous Contracts – Cost of Fulfilling a Contract (effective from 1st January 2022) clarifies that for the purpose of assessing whether a contract is onerous, the cost of fulfilling the contract includes both the incremental costs of fulfilling that contract and an allocation of other costs that relate directly to fulfilling contracts. The Group will apply the amendment from 1st January 2022, but it is not expected the adoption will have a significant impact on the Group's consolidated financial statements.

29 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. In general, the volatility in profit or loss can be reduced by applying hedge accounting.

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 assesses whether the derivative designated in each hedging relationship has been and expected to be effective in offsetting changes in cash flows of the hedged item using the hypothetical derivative method.

Ineffectiveness may arise if the timing of the forecast transaction changes from what was originally estimated for hedges of foreign currency purchases, 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, effective economic relationship existed between the swaps and the loans.

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;

ii) Differences in critical terms between the interest rate swaps and loans; and

iii) The effects of the forthcoming reforms to IBORs, because these might take effect at a different time and have a different impact on the hedged item (the floating-rate debt) and the hedging instrument (the interest rate swap used to hedge the debt).

The ineffectiveness during 2020 or 2019 in relation to interest rate swaps was not material.

29 Financial Risk Management continued

Financial risk factors continued

i) Market risk

Foreign exchange risk

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

Entities in the Group use 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.

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 2020, 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$2,100 million (2019: US$1,567 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 2020, the Group's interest rate hedge was 52% (2019: 54%) with an average tenor of eight years (2019: seven years). The interest rate profile of the Group's borrowings after taking into account hedging transactions are set out in Note 17.

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. Details of interest rate swaps and cross-currency swaps are set out in Note 21.

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.

29 Financial Risk Management continued

Financial risk factors continued

i) Market risk continued

Interest rate risk continued

At 31st December 2020, 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 (2019: US$1 million) lower/higher, and hedging reserve would have been US$82 million (2019: US$40 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, Chinese mainland 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.

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.

29 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 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 2020, total committed and uncommitted borrowing facilities amounted to US$9,069 million (2019: US$7,332 million) of which US$6,565 million (2019: US$5,015 million) was drawn down. Undrawn committed facilities, in the form of revolving credit and term loan facilities, totalled US$2,356 million (2019: US$2,127 million). Undrawn uncommitted facilities in the form of revolving credit loan facilities, amounted to US$148 million (2019: US$190 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
2020							
Borrowings	**903.1**	**929.7**	**398.8**	**603.2**	**2,022.4**	**3,060.3**	**7,917.5**
Creditors	**780.3**	**18.9**	**0.2**	**0.2**	**0.5**	**2.3**	**802.4**
Net settled derivative financial instruments	**(1.4)**	**(1.4)**	**(0.5)**	**–**	**–**	**–**	**(3.3)**
Gross settled derivative financial instruments							
– inflow	**85.3**	**572.6**	**62.8**	**445.5**	**639.8**	**678.2**	**2,484.2**
– outflow	**(74.3)**	**(564.6)**	**(56.6)**	**(445.6)**	**(638.8)**	**(681.4)**	**(2,461.3)**
2019							
Borrowings	895.4	503.6	1,290.7	340.1	545.0	2,548.3	6,123.1
Creditors	881.3	4.4	12.1	0.2	0.2	2.7	900.9
Net settled derivative financial instruments	(0.5)	(0.5)	(0.5)	(0.1)	–	–	(1.6)
Gross settled derivative financial instruments							
– inflow	132.7	68.0	555.7	45.5	428.4	623.0	1,853.3
– outflow	(134.1)	(66.9)	(551.1)	(42.0)	(438.6)	(617.8)	(1,850.5)

None of the undiscounted borrowings at 31st December 2020 are impacted by the IBORs reform.

29 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 2020 and 2019 are as follows:

	2020	2019
Gearing ratio (%)	**13**	9
Interest cover (times)	**9**	9

Fair value estimation

i) Financial instruments that are measured at fair value based on 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.

	Observable current market transactions	
	2020 US$m	2019 US$m
Assets		
Derivative designated at fair value		
– through other comprehensive income	**9.7**	19.7
– through profit and loss	**23.7**	10.8
	33.4	30.5
Liabilities		
Derivative designated at fair value		
– through other comprehensive income	**(16.1)**	(1.8)
– through profit and loss	**–**	(2.9)
	(16.1)	(4.7)

There were no changes in valuation techniques during the year.

29 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, current borrowings and current lease liabilities 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. The fair values of non-current lease liabilities 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 2020 and 2019 are as follows:

	Fair value of hedging instruments US$m	Financial assets at amortised costs US$m	Other financial liabilities US$m	Total carrying amount US$m	Fair value US$m
2020					
Financial assets measured at fair value					
Derivative financial instruments	33.4	–	–	33.4	33.4
Financial assets not measured at fair value					
Debtors	–	242.3	–	242.3	242.3
Bank balances	–	1,996.6	–	1,996.6	1,996.6
	–	2,238.9	–	2,238.9	2,238.9
Financial liabilities measured at fair value					
Derivative financial instruments	(16.1)	–	–	(16.1)	(16.1)
Financial liabilities not measured at fair value					
Borrowings	–	–	(6,564.9)	(6,564.9)	(6,904.0)
Trade and other payable excluding non-financial liabilities	–	–	(802.4)	(802.4)	(802.4)
	–	–	(7,367.3)	(7,367.3)	(7,706.4)

29 Financial Risk Management continued

Fair value estimation continued

Financial instruments by category continued

	Fair value of hedging instruments US$m	Financial assets at amortised costs US$m	Other financial liabilities US$m	Total carrying amount US$m	Fair value US$m
2019					
Financial assets measured at fair value					
Derivative financial instruments	30.5	–	–	30.5	30.5
Financial assets not measured at fair value					
Debtors	–	345.8	–	345.8	345.8
Bank balances	–	1,424.0	–	1,424.0	1,424.0
	–	1,769.8	–	1,769.8	1,769.8
Financial liabilities measured at fair value					
Derivative financial instruments	(4.7)	–	–	(4.7)	(4.7)
Financial liabilities not measured at fair value					
Borrowings	–	–	(5,015.2)	(5,015.2)	(5,174.4)
Trade and other payable excluding non-financial liabilities	–	–	(900.9)	(900.9)	(900.9)
	–	–	(5,916.1)	(5,916.1)	(6,075.3)

30 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 according to circumstances and conditions available. The existing and potential impacts arising from the COVID-19 pandemic have been considered when applying estimates and assumptions in the preparation of the financial statements, including the Group's assessment of impairment of assets and the independent valuers' valuation of the Group's investment properties. Given the uncertainty of the impact of COVID-19, the actual results may differ from these accounting estimates.

The estimates and assumptions that have a significant effect on the reported amounts of assets and liabilities, and income and expenses are discussed below.

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, Chinese mainland and Singapore, capitalisation rates in the range of 2.75% to 3.50% for office (2019: 2.75% to 3.50%) and 3.75% to 5.00% for retail (2019: 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 12).

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.

30 Critical Accounting Estimates and Judgements continued

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.

Interest rate benchmark reform

Following the financial crisis, the reform and replacement of benchmark interest rates such as US$ LIBOR and other interbank offered rates ('IBORs') has become a priority for global regulators. There is currently uncertainty around the timing and precise nature of these changes.

To transition existing contracts and agreements that reference IBORs (including US$ LIBOR) to risk free rates ('RFRs') such as US$ LIBOR to Secured Overnight Financing Rate, adjustments for term differences and credit differences might need to be applied to RFRs, to enable the two benchmark rates to be economically equivalent on transition.

Group Treasury is managing the Group's IBORs transition plan. The greatest change will be amendments to the contractual terms of the IBORs-referenced floating-rate debt and the associated swap and the corresponding update of the hedge designation. However, the changed reference rate may also affect other systems, processes, risk and valuation models, as well as having tax and accounting implications.

Relief applied

The Group has applied the following reliefs that were introduced by the amendments made to IFRS 9 Financial Instruments in September 2019:

i) When considering the 'highly probable' requirement, the Group has assumed that the IBORs interest rate on which the Group's hedged debt is based does not change as a result of IBORs reform.

ii) In assessing whether the hedge is expected to be highly effective on a forward-looking basis the Group has assumed that the IBORs interest rate on which the cash flows of the hedged debt and the interest rate swap that hedges it are based is not altered by IBORs reform.

iii) The Group has not recycled the cash flow hedge reserve relating to the period after the reforms are expected to take effect.

Assumptions made

In calculating the change in fair value attributable to the hedged risk of floating-rate debt, the Group has made the following assumptions that reflect its current expectations:

i) The IBORs-referenced floating-rate debt will move to RFRs during 2023 and the spread will be similar to the spread included in the interest rate swap used as the hedging instrument.

ii) No other changes to the terms of the floating-rate debt are anticipated.

iii) The Group has incorporated the uncertainty over when the IBORs-referenced floating-rate debt will move to RFRs, the resulting adjustment to the spread, and the other aspects of the reform that have not yet been finalised by adjusting the discount rate used in the calculation.

Independent Auditors' Report

To the members of Hongkong Land Holdings Limited

Report on the audit of the group 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 2020 and of its loss 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 2020; 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 a description of the significant accounting policies ('the Principal Accounting Policies').

Certain required disclosures have been presented in the Corporate Governance section, 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$268.0 million (2019: US$406.0 million), which represents 0.75% of net assets (2019: 1% of total non-current assets).
- Specific Group materiality, applied to balances not related to investment properties: US$55.0 million (2019: US$66.0 million) which represents 5% of underlying profit before tax.

Audit scope
- A full scope audit was performed on seven entities. These subsidiaries accounted for 92% of the Group's revenue, 91% of the Group's loss before tax, 80% of the Group's underlying profit before tax and 81% of the Group's net assets.
- Full scope audits of four joint ventures were also performed which accounted for a further 4% of the Group's loss before tax, 10% of the Group's underlying profit before tax and 4% of the Group's net assets.

Key audit matters
- Valuation of investment properties
- Impact of COVID-19

Our audit approach continued

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.

Capability of the audit in detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined in the Auditors' responsibilities for the audit of the financial statements section, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the Group and industry, we identified that the principal risks of non-compliance with laws and regulations related to, but were not limited to, the Companies Act 1981 (Bermuda), the Listing Rules, tax regulations, employment regulation, health and safety regulation and equivalent local laws and regulations applicable to significant reporting component teams, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the preparation of the financial statements such as the Companies Act 1981 (Bermuda). We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to the posting of inappropriate journal entries and management bias in accounting estimates and judgements. The Group engagement team shared this risk assessment with the component auditors so that they could include appropriate audit procedures in response to such risks in their work. Audit procedures performed by the Group engagement team and/or component auditors included:

- Gaining an understanding of the legal and regulatory framework applicable to the Group and the industries in which its businesses operate, and considering the risk of any acts by the Group which may be contrary to applicable laws and regulations, including fraud;
- Discussions with management and internal audit, including consideration of known or suspected instances of non-compliance with laws and regulation and fraud;
- Understanding the results of whistleblowing procedures and related investigations. We focused on known and suspected instances of non-compliance with laws and regulations that could give rise to a material misstatement in the Group and company financial statements, including, but not limited to, the Companies Act 1981 (Bermuda), the Listing Rules, tax legislation, employment regulation, health and safety regulation and equivalent local laws and regulations applicable to significant reporting component teams;
- Review of reporting component auditors' work, including any matters reported by component auditors' relating to non-compliance with laws and regulations or fraud;
- Challenging assumptions and judgements made by management in their significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. In particular, in relation to the valuation of investment properties (see related key audit matters below); and
- We did not identify any key audit matters relating to irregularities, including fraud. As in all of our audits we also addressed the risk of management override of internal controls, including testing journals, and evaluated whether there was evidence of bias by the Directors that represented a risk of material misstatement due to fraud.

There are inherent limitations in the audit procedures described above and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

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. The impact of COVID-19 is a new key audit matter this year. Otherwise, the key audit matters below are consistent with last year.

Key audit matter	How our audit addressed the key audit matter
Valuation of investment properties Refer to Note 30 (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$30,083.3 million at 31st December 2020, with a revaluation loss of US$3,443.4 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'). There is inherent estimation uncertainty in determining a property's valuation, as 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 understood management's controls and processes for determining the valuation of investment properties and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and the judgement involved in determining assumptions to be applied. 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 central business district of Hong Kong. We read the valuation reports covering the majority of the total investment property portfolio to consider whether the valuation methodology 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 were discussed. We compared the capitalisation rates used by the valuers with an estimated range of expected rates, determined via reference to published benchmarks and market information. We evaluated year-on-year movements in capital value with reference to publicly available information and rentals with reference to prevailing market rents. We evaluated whether the assumptions used were appropriate in light of the evidence provided by relevant transactions during the year. Overall, we concluded that the assumptions used in the valuations were appropriate. We also assessed the adequacy of the disclosures related to the valuation of investment properties in the context of IFRS disclosure requirements and were satisfied that appropriate disclosure has been made.

Our audit approach continued

Key audit matters continued

Key audit matter	How our audit addressed the key audit matter
Impact of COVID-19 The on-going COVID-19 pandemic has caused volatility to the global economy. There is inherent uncertainty for the pace of global economic recovery which might have a future impact on the real estate market and in determining the impact of the pandemic on certain aspects of the financial statements. The most significant impact of COVID-19 on the financial statements has been in relation to the assumptions supporting the valuation of investment properties which have been updated to reflect management's best estimate of the impact of COVID-19. We also considered whether COVID-19 had any impact on the Group's liquidity and ability to continue as a going concern. Management's way of working, including the operation of controls, has been impacted by COVID-19 as a result of staff members working remotely at times. For example, this has meant virtual review meetings replaced in-person meetings.	Our procedures in respect of the valuation of investment properties are covered in the related key audit matter above. We performed additional procedures to assess any control implications arising from the impact of COVID-19, including inquiries with respect to the operation of IT and business process controls, and whether there has been any impact on the Group. We instructed our component teams to perform additional procedures to understand if there were any changes to management's planned operation of controls or monitoring activities. Based on the inquiries performed and the results of our audit procedures, we did not identify any evidence of material deterioration in the control environment. We increased the frequency and extent of our oversight over component audit teams, using video conferencing and remote working paper reviews, to satisfy ourselves as to the appropriateness of audit work performed at significant and material components. We considered the appropriateness of disclosures in the financial statements in respect of the impact of the current environment and consider these to be appropriate. We have examined the Group's liquidity forecasts in light of the impact of COVID-19. Our conclusions in relation to going concern are set out in the section below.

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.

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 member firms 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 and conference calls. Due to the current restrictions on travel and social distancing measures, enacted as a response to COVID-19, the lead Group audit partner and other senior team members were involved throughout the year through the regular use of video conference calls and other forms of communication to direct and oversee the audit, including remote review of the work of component teams.

A full scope audit of the complete financial information was performed for seven subsidiaries. These subsidiaries, together with procedures performed on centralised functions and at the Group level (on the consolidation and other areas of significant judgement), accounted for 92% of the Group's revenue, 91% of the Group's loss before tax, 80% of the Group's underlying profit before tax and 81% of the Group's net assets. Full scope audits of the complete financial information were also performed for four principal joint ventures which accounted for a further 4% of the Group's loss before tax, 10% of the Group's underlying profit before tax and 4% of the Group's net assets. This gave us the evidence we needed for our opinion on the financial statements as a whole.

Our audit approach continued

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$268.0 million (2019: US$406.0 million)
How we determined it	0.75% of net assets (2019: 1% of total non-current assets)
Rationale for benchmark applied	A key determinant of the Group's value is investment property. As net assets is the primary measure used by the shareholders in assessing the performance of the Group, we set an overall Group materiality level based on net assets.

We set a specific materiality level of US$55.0 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 overall materiality allocated across components was US$2.1 million to US$49.5 million.

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75% of overall materiality, amounting to US$201.0 million for the items related to investment properties and US$41.0 million for items not related to carrying value of investment properties in the group financial statements.

In determining the performance materiality, we considered a number of factors – the history of misstatements, risk assessment and aggregation risk and the effectiveness of controls – and concluded that an amount at the upper end of our normal range was appropriate.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit of investment property related items above US$13.0 million (2019: US$20.0 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$2.7 million (2019: US$3.3 million) as well as misstatements below that amount that in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

Our evaluation of the Directors' assessment of the Group's ability to continue to adopt the going concern basis of accounting included:

- Evaluating the inherent risks to the Group's and its businesses' business models and analysed how those risks might affect the Group's financial resources or ability to continue operations over the going concern period.
- Considering sensitivities over the level of available financial resources indicated by the Group's financial forecasts taking account of reasonably possible, but not unrealistic, adverse effects that could arise from adverse trading conditions as a result of COVID-19 and impact the Group's liquidity position over the going concern period.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's ability to continue as a going concern for a period of at least 12 months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

As not all future events or conditions can be predicted, this conclusion is not a guarantee as to the Group's ability to continue as a going concern.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

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 and the Corporate Governance section, 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.

Partner responsible for the audit

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

PricewaterhouseCoopers LLP
Chartered Accountants
London
11th March 2021

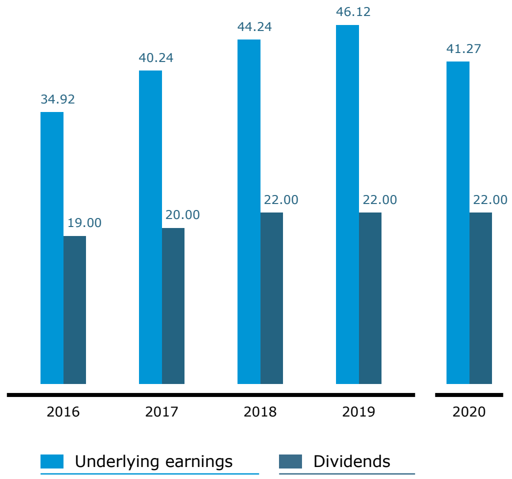
(a) The maintenance and integrity of the Hongkong Land Holdings Limited website is the responsibility of the Directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to 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.

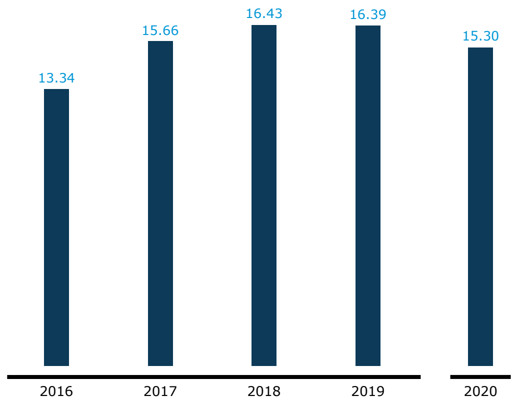
Five Year Summary

	2016 US$m	2017 US$m	2018 US$m	2019 US$m	**2020** **US$m**
Profit/(loss) attributable to shareholders	3,311	5,614	2,457	198	**(2,647)**
Underlying profit attributable to shareholders	822	947	1,036	1,076	**963**
Investment properties	27,712	32,481	33,712	33,191	**30,083**
Net debt	2,008	2,549	3,564	3,591	**4,568**
Shareholders’ funds	31,383	36,842	38,342	38,247	**35,709**

	US$	US$	US$	US$	**US$**
Net asset value per share	13.34	15.66	16.43	16.39	**15.30**



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
11th March 2021

Corporate Governance

Overview of Governance Approach

The Hongkong Land Group (Hongkong Land Holdings Limited and its subsidiaries together known as the 'Group') understands the value of good corporate governance to long-term sustainable success and attaches importance to the corporate stability that strong governance brings, as well as the opportunities that result from it being part of the Jardine Matheson Holdings Limited ('Jardine Matheson') group.

The Group is committed to high standards of governance. The system of governance it has adopted has been developed over many years by the members of the Jardine Matheson group which both the Group and its stakeholders regard as appropriate to the nature of its business and the long-term strategy it pursues in its Asian markets, and is tailored to the Group's size, ownership structure, complexity and breadth of business. 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 teams. Having an effective corporate governance framework supports the Board in the delivery of the Group's strategy and supports long-term sustainable growth.

Group Structure

Jardine Matheson is the ultimate holding company of the Group. The structural relationship between Jardine Matheson group and the Group is considered to be a key element of the Group's success. By coordinating objectives, establishing common values and standards, and sharing experience, contacts and business relationships, the Jardine Matheson group companies aim to optimise their opportunities across the Asian countries where they operate.

The Company is incorporated in Bermuda. The Company's property interests are held almost entirely in Asia. The Company's equity shares have as their primary listing a standard listing on the Main Market of the London Stock Exchange (the 'LSE'), and the Company's primary regulator is the Financial Conduct Authority of the United Kingdom (the 'FCA').

The Disclosure Guidance and Transparency Rules (the 'DTRs') issued by the FCA require that this Report addresses all relevant information about the corporate governance practices applied by the Company and the Group beyond the requirements under Bermuda law.

The Company also has secondary listings in Singapore and Bermuda. As the Company has only secondary listings on these exchanges, the listing rules of such exchanges are not generally applicable. Instead, the Company must release the same information as it is required to release under the rules applicable to it as a standard listed company on the LSE, in compliance with the rules applicable to those exchanges in Singapore and Bermuda.

Governance and Legal Framework

As a company incorporated in Bermuda, the Company is governed by:

- The Bermuda Companies Act 1981 (the 'Companies Act');
- The Bermuda Hongkong Land Holdings Limited Consolidation and Amendment Act 1988 (as amended), pursuant to which the Company was incorporated and the Bermuda HongkongLand Holdings Limited Regulations 1993 (as amended) was established; and
- The Company's Memorandum of Association and 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.

The Company's standard listing in London means that it is bound by many of the same rules as premium-listed companies under the UK Listing Rules, the DTRs, the Market Abuse Regulation[1] ('MAR') and the Prospectus Regulation Rules, including in relation to continuous disclosure, periodic financial reporting, disclosure of interests in shares, market abuse and the publication and content of prospectuses in connection with admission to trading or offering securities to the public. 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 LSE. The Company and its Directors are also subject to legislation and regulations in Singapore relating to insider dealing.

The Company is not required to comply with the UK Corporate Governance Code (the 'Code'), which applies to all premium-listed companies and sets out the governance principles and provisions which are expected to be followed by companies, which are subject to the Code.

When the 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 basis as was then applicable to the Company's premium listing. As a result, the Company has adopted a number of governance principles (the 'Governance Principles') based on the then applicable requirements for a premium listing, which go further than the standard listing requirements.

1 The EU Market Abuse Regulation and, with effect from 1st January 2021, the UK Market Abuse Regulation.

Governance and Legal Framework continued

The key elements of the Governance Principles are as follows:

- When assessing a significant transaction (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.
- If the Company carries out a related party transaction which would require a sponsor to provide a fair and reasonable opinion under the provisions of the UK Listing Rules, it 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.
- 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.
- At each annual general meeting ('AGM'), the Company will seek shareholders' 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.
- The Company adheres to a set of Securities Dealing Rules which follow the provisions of MAR with respect to market abuse and disclosure of interests in shares.

The Management of the Group

The Board

The Board is responsible for ensuring that the Group is appropriately managed and achieves the strategic objectives it sets, in a way that is supported by the right culture, values and behaviours throughout the Group.

The Directors have the 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. Key matters for which the Directors are responsible include:

- Responsibility for the overall strategic aims and objectives of the Group;
- Establishing the Company's purpose and values;
- Approval of the Group's strategy and risk appetite to align with the Group's purpose and values;
- Approval and oversight of the Group policy framework and approval of appropriate Group policies;
- Approval of the Annual Budget and monitoring of performance against it;
- Oversight of the Group's operations;
- Approval of major changes to Group's corporate or capital structure;
- Approval of major capital expenditure and significant transactions (in terms of size or reputational impact);
- Approval of interim and final financial statements upon recommendation from the Audit Committee, and interim management statements;
- Approval of Annual Report and Accounts;
- Approval of dividend policy and amount and form of interim and final dividend payments for approval by shareholders as required;
- Any significant changes to the Company's accounting policies or practices upon recommendation from the Audit Committee;
- Appointment, reappointment or removal of the external auditor, subject to shareholder approval, upon recommendation from the Audit Committee;
- Approval of matters relating to the AGM (resolutions and shareholder documentation);
- Approval of all shareholder circulars, prospectuses and listing particulars issued by the Company; and
- Approval of material public announcements concerning matters decided by the Board.

Responsibility for certain matters, including the approval of borrowing facilities and of capital expenditure (other than major capital expenditure which is required to be approved by the Board) has been delegated to the finance committee established within the Hong Kong-based Group management company, Hongkong Land Limited ('HKL').

Board Composition and Operational Management

The Board's composition and the way it operates provide stability, allowing the Company to take a long-term view as it seeks to grow its business and pursue investment opportunities.

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 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 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 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. The presence of Jardine Matheson representatives on the Company's Board and nominations committee and HKL's audit, finance and remuneration committees also strengthens the ability of management to work effectively together in exploiting the full range of the Jardine Matheson group's commercial strengths.

As at 11th March 2021, the Company comprises 13 Directors, three of whom (23%) – Christina Ong, Prijono Sugiarto and Michael Wu – are regarded as Independent Non-Executive Directors. Four further Non-Executive Directors – Anthony Nightingale, Lord Powell of Bayswater, James Watkins and Percy Weatherall – do not have any executive responsibilities, nor have they been an employee of the Company or the Group within the past five years, and they are sufficiently distanced from the day-to-day operations of the Company for the Company to take the view that they are independent Directors, even though they have served on the Board for over nine years. The names of all the Directors and brief biographies appear on pages 21 and 22 of this Report.

Ben Keswick has been Chairman of the Board since 16th May 2013. John Witt has held the role of Managing Director from 15th June 2020. Robert Wong has been Chief Executive since 1st August 2016. Ben Keswick previously held the roles of Chairman and Managing Director on a combined basis from 16th May 2013. The Board considers that there is a clear division of responsibilities among the Chairman, the Managing Director and the Chief Executive, in order to ensure an appropriate balance of power and authority.

Chairman

The Chairman's role is to lead the Board, ensuring its effectiveness while taking account of the interests of the Group's various stakeholders, and promoting high standards of corporate governance. The Chairman's principal responsibilities are in the areas of strategy, relationships, governance and people. He leads the Board in overseeing the long-term strategic direction of the Group and approving its key business priorities. His key responsibilities also include:

- Leading the development of the culture and values of the Group;
- Supporting the development and maintenance of relationships with existing and new key business partners, governments and shareholders;
- Ensuring (together with the Managing Director and the Chief Executive) an appropriate focus on attracting and retaining the right people and carrying out succession planning for senior management positions;
- Creating a culture of openness and transparency at Board meetings;
- Building an effective Board supported by a strong governance framework;
- Ensuring all Directors effectively contribute to discussions and feel comfortable in engaging in healthy debate and constructive challenge;
- Ensuring all Directors receive accurate, timely and clear information; and
- Promoting effective communication between Executive and Non-Executive Directors.

Managing Director

The Managing Director acts as chairman of HKL and of its finance committee, as well as being a member of the Company's nominations committee and the remuneration committee established in HKL. He has responsibility for representing Jardine Matheson, as the major shareholder in the Company, in its oversight of the day-to-day management by the Chief Executive and his leadership team of the business.

Chief Executive

The responsibility for running the Group's business and all the executive matters affecting the Group rests with the Chief Executive. 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 Chief Executive has day-to-day responsibility for:

- The effective management of the Group's business;
- Leading the development of the Company's strategic direction and implementing the agreed strategy;
- Identifying and executing new business opportunities;
- Managing the Group's risk profile and implementing and maintaining an effective framework of internal controls;
- Developing targets and goals for his executive team;
- Ensuring effective communication with shareholders and key stakeholders and regularly updating institutional investors on the business strategy and performance;
- Providing regular operational updates to the Board on all matters of significance relating to the Group's business or reputation;
- Overseeing the Group's capital allocation, business planning and performance;
- Ensuring (together with the Chairman and the Managing Director) an appropriate focus on attracting and retaining the right people and carrying out succession planning for senior management positions; and
- Fostering innovation and entrepreneurialism to drive the Group's business forward.

Non-Executive Directors

The Non-Executive Directors bring insight and experience to the Board. They have responsibility for constructively challenging the strategies proposed by the Executive Directors and scrutinising the performance of management in achieving agreed goals and objectives.

Board Meetings

The Board usually holds four meetings each year and ad hoc procedures are adopted to deal with urgent matters which arise between scheduled meetings. The majority of Board meetings are usually held in different locations around Asia and one Board meeting is usually held in Bermuda, at the same time as the Company's AGM each May.

In 2020, due to travel restrictions imposed as a result of the pandemic, it was necessary to hold all four Board meetings virtually. The Board receives high quality, up to date information for each of its meetings, which is provided to Directors via a secure online board information portal.

The Directors of the Company who do not serve on the board of HKL and who are based outside Asia will usually 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. In 2020, all of these strategic reviews were held virtually as a result of the pandemic. These Directors are not directly involved in the operational management of the Group's business activities, but their knowledge of the Group's affairs, as well as their experience of the wider Jardine Matheson group, provide significant value to the ongoing review by the Company of the Group's business and reinforces the Board oversight process.

Board and Committee Attendance

Directors are expected to attend all Board and Audit Committee meetings. The table below shows the attendance at the scheduled Board and Audit Committee meetings:

	Board	Audit Committee
Current Directors of the Company		
Ben Keswick	4/4	–
John Witt	2/2	2/2
Robert Wong	4/4	–
Simon Dixon	4/4	–
Adam Keswick	4/4	–
Anthony Nightingale	4/4	–
Christina Ong	4/4	–
Y.K. Pang	4/4	2/2
Lord Powell of Bayswater	4/4	–
Prijono Sugiarto	2/2	–
James Watkins	4/4	–
Percy Weatherall	4/4	–
Michael Wu	4/4	–
Directors of HKL		
Graham Baker[1]	–	1/1
Jeremy Parr	–	2/2
Former Directors of the Company		
Mark Greenberg[2]	4/4	2/2
Lord Sassoon[3]	1/1	–

1 Graham Baker joined the board of HKL on 15th June 2020.
2 Mark Greenberg stepped down as a Director on 31st December 2020.
3 Lord Sassoon retired from the Board on 9th April 2020.

Appointment and Retirement of Directors

Each new Director is appointed by the Board and the Nominations Committee has been established to assist the Board in such matters. In accordance with the Company's Bye-laws, each new Director is subject to retirement and re-appointment at the first AGM after appointment. Thereafter, Directors are subject to retirement by rotation requirements under the Bye-laws whereby one-third of the Directors retire at the AGM 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.

Simon Keswick and Lord Sassoon retired from the Board on 1st January 2020 and 9th April 2020, respectively. Ben Keswick stepped down as Managing Director of the Company on 15th June 2020 and remains as the Chairman. John Witt joined the Board and took on the role of Managing Director of the Company with effect from 15th June 2020. Prijono Sugiarto was appointed to the Board with effect from 29th July 2020 and Mark Greenberg stepped down from the Board with effect from 31st December 2020.

In accordance with Bye-law 85, Lord Powell of Bayswater, James Watkins and Percy Weatherall retire by rotation at this year's AGM and, being eligible, offer themselves for re-election. In accordance with Bye-law 92, John Witt and Prijono Sugiarto will also retire and, being eligible, offer themselves for re-election. None of the Directors proposed for re-election has a service contract with the Company or its subsidiaries.

Company Secretary

All Directors have access to the advice of the Company Secretary, who is responsible for advising the Board on all governance matters.

Committees

The Board is supported by the activities of its Committees (the Nominations, Remuneration and Audit Committees), which ensure the right level of attention and consideration are given to specific matters. Matters considered by each of the Committees are set out in its respective terms of reference. Copies of these documents can be obtained from the Company's website at www.hkland.com.

Nominations Committee

The Board established a Nominations Committee (the 'Nominations Committee') in March 2021. The key responsibilities of the Nominations Committee are to:

- Review the structure, size and composition of the Board and its committees and make recommendations on any appointments in order to maintain a balance of skills, knowledge and experience, as well as a diversity of perspectives;
- Lead the process for Board appointments and nominate suitable candidates to the Board;
- Assess suitable candidates based on merit and objective criteria (giving consideration to the promotion of diversity of backgrounds, knowledge, experience and skills), taking into account their ability to meet the required time commitments;
- Oversee the development of succession pipelines for both the Board and senior management positions, to ensure talent is identified and nurtured to meet the challenges and opportunities facing the Group; and
- Satisfy itself that any skill gaps are addressed in the reviews of Board composition, and that appropriate development opportunities are in place for Directors to keep abreast of market knowledge and industry trends to perform their role effectively.

The Nominations Committee consists of a minimum of three members, selected by the Chairman of the Board. The Chairman of the Board is the chairman of the Nominations Committee. The current members of the Nominations Committee are Ben Keswick, Adam Keswick and John Witt. The Nominations Committee meets at least annually and more often if necessary. It plays a key role in the process of recruiting senior executives. Candidates for appointment as Executive Directors of the Company or for other senior management positions may be sourced internally or externally, including by using the services of specialist executive search or recruitment firms. The aim is to appoint individuals who combine international business knowledge and experience, industry knowledge and experience if possible, and familiarity with, or adaptability to, Asian markets. When appointing Non-Executive Directors, the Committee pays particular attention to the Asian business experience and relationships that they can bring.

Remuneration Committee

The Board established a Remuneration Committee (the 'Remuneration Committee') within HKL in March 2021. The key responsibilities of the Remuneration Committee are to:

- Oversee the formulation of a Group-wide reward strategy and ensure the business implements the reward strategy in alignment with its industry-specific needs;
- Review and approve the compensation of the Chief Executive and leadership team of the business;
- Review the terms of and design of performance related incentives (both short- and long-term), including the review and approval of any changes to plan design, targets and metrics;
- Review and approve the overall compensation costs, including salary and bonus budgets, of the business; and
- Remain abreast of trends and developments in executive compensation and corporate governance as they relate to the Group's industry and countries of operation.

The Remuneration Committee consists of a minimum of three members, selected by the Chairman of the Board. The Chairman of the Board is the chairman of the Committee. The current members of the Remuneration Committee are Ben Keswick, John Witt, Y.K. Pang, Graham Baker and John Nolan (Jardines group human resources director). The Chief Executive and the Head of Human Resources will generally attend meetings of the Remuneration Committee. The Remuneration Committee meets at least twice annually and more often if necessary, with its meetings aligned with the key events in the Group's annual remuneration cycle.

Audit Committee

The Board has established within HKL an Audit Committee (the 'Audit Committee'), the current members of which are Y.K. Pang, Graham Baker, Jeremy Parr and John Witt. None of them is directly involved in operational management. Graham Baker was appointed as a member of the Audit Committee with effect from 15th June 2020. Mark Greenberg retired as a member of the Audit Committee on 31st December 2020.

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. Other individuals may attend part of a meeting for specific agenda items as appropriate. The Audit Committee meets twice a year and reports to the Board after each meeting.

Committees continued

Audit Committee continued

The role of the Audit Committee is governed by its terms of reference. The Committee's remit includes:

- Independent oversight and assessment of financial reporting processes including related internal controls;
- Risk management and compliance;
- Overseeing the effectiveness of 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.

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, the Chief Financial Officer and other senior executives.

The matters considered by the Audit Committee during 2020 included:

- Reviewing the 2019 annual financial statements and 2020 half-yearly financial statements, with particular focus on the impact of COVID-19, provisioning and impairment assessments, assumptions that underpinned key valuation models and effectiveness of financial controls;
- Reviewing the actions and judgements of management in relation to changes in accounting policies and practices, to ensure clarity of disclosures and compliance with new accounting standards;
- Receiving reports from internal audit function on the status of the control environment of the Group and its business divisions, and progress made in resolving matters identified in the reports;
- Reviewing the principal risks, evolving trends and emerging risks that affect the Group, and monitoring changes to the risk profile, as well as the effectiveness of risk management measures and crisis management arrangements;
- Receiving updates on the cybersecurity threat landscape and the Group's cybersecurity environment, risk management approach, priorities and control effectiveness;
- Receiving reports from risk management and legal functions on key legal matters and compliance and code of conduct issues, and the actions taken in addressing those issues and strengthening controls;
- Reviewing the annual internal audit plan and status updates;
- Reviewing and approving the revised terms of reference of the Group's internal audit and risk management functions;
- Reviewing the biennial assessment of the effectiveness of PwC;
- Reviewing the independence, audit scope and fees of PwC, and recommending their re-appointment as the external auditor; and
- Conducting a review of the terms of reference of the Audit Committee.

Remuneration

The Board has overall responsibility for setting remuneration across the Group, ensuring it is appropriate and supports the Group's strategy, creating value for stakeholders. The Remuneration Committee has been established to assist the Board in these remuneration matters. 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.

Shareholders decide in general meetings the Directors' fees which are payable to all Directors other than the Chief Executive and the Chief Financial Officer, as provided for by the Company's Bye-laws.

Remuneration in 2020

For the year ended 31st December 2020, the Directors received from the Group US$9.1 million (2019: US$9.0 million) in Directors' fees and employee benefits, being:

- US$0.8 million (2019: US$0.8 million) in Directors' fees;
- US$8.1 million (2019: US$7.9 million) in short-term employee benefits including salary, bonuses, accommodation and deemed benefits in kind; and
- US$0.2 million (2019: US$0.3 million) in post-employment benefits.

The information set out in the section above headed 'Remuneration in 2020' forms part of the audited financial statements.

Share Schemes

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. Notional share options are not granted to Non-Executive Directors.

Insurance and Indemnification

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 insurance nor indemnity arrangements provide cover where the Director has acted fraudulently or dishonestly.

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 (financial, operational and compliance) 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 Group has an established risk management process which is reviewed on a regular basis and covers all business units within the Group. This includes the maintenance of risk registers which detail the emerging and existing risks to the future success of the business and the relevant key controls and mitigating factors which address those risks. These are reviewed on a regular basis.

The internal audit function also monitors the approach taken by the business units to risk. The internal audit function is independent of the operating business and reports its findings, and recommendations for any corrective action required, to the Audit Committee.

The principal risks and uncertainties facing the Company are set out on page 93.

Delegations of Authority

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, information and reporting systems, assessment of risk, and 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.

Whistleblowing Policy

The Group has a whistleblowing policy covering the process by which employees can report, in confidence, matters of serious concern. The Audit Committee has responsibility for overseeing the effectiveness of the formal procedures for employees to raise such matters and is required to review any reports made under those procedures which are referred to it by the internal audit function.

Directors' Responsibilities in respect of the Financial Statements

The Directors are required under the Companies Act to prepare financial statements for each financial year and to present them annually to the Company's shareholders at the AGM. 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 a set of guidelines to which every employee must adhere and is reinforced and monitored by an annual compliance certification process, and 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 Company's policy on commercial conduct underpins the Group's internal control process, particularly in the area of compliance. The policy is also set out in the Group's Code of Conduct.

Inclusion and Diversity

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 business 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 business necessitate that they seek the best people from the communities in which they operate most suited to their needs.

Directors' Share Interests

The Directors of the Company in office on 11th March 2021 had interests* 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*.

Robert Wong	400,000
Simon Dixon	300,000
Anthony Nightingale	2,184
Y.K. Pang	638,000

* Within the meaning of MAR

In addition, Robert Wong held share options in respect of 1,650,000 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 provisions of the DTRs which require that a person must in certain circumstances notify the Company of the percentage of voting rights attaching to the share capital of the Company that person 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 the person 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 11th March 2021.

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

Related Party Transactions

Details of transactions with related parties entered into by the Company during the course of the year are included in Note 24 to the financial statements on page 54.

Securities Purchase Arrangements

The Directors have the power under the 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.

Annual General Meeting

The 2021 AGM will be held on 5th May 2021. 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.

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 91 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, Chief Executive's Review and other parts of this Report.

Economic Risk

The Group is exposed to the risk of negative developments in global and regional economies, and financial and property markets, either directly or through the impact such developments might have on the Group's joint venture partners, associates, bankers, suppliers, customers 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.

Commercial Risk and Financial Risk

Risks are an integral part of normal commercial activities, and where practicable steps are taken to mitigate them. Risks can be more pronounced when businesses are 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 are longer-term in nature and take more time to deliver 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 competitive pressure 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. There is also an increasing risk to our businesses from adverse social media commentary, which could influence customer and other stakeholder behaviours and impact operations or profitability, or lead to reputational damage.

The steps taken by the Group to manage its exposure to financial risk are set out in the Financial Review on page 18 and Note 29 to the financial statements on pages 67 to 73.

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, climate-related regulation and employment legislation, could have the potential to impact the operations and profitability of the Group.

Changes in the political environment, including political or social unrest, in the territories where the Group operates could adversely affect the Group.

Pandemic, Natural Disasters, Climate Change and 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.

Ongoing changes to the physical climate in which the Group operates may have an impact on our businesses. Rising sea levels could, in the future, affect the value of any coastal assets that the Group owns or develops.

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.

Cybersecurity Risk

The Group's businesses are ever more reliant on technology in their operations and face increasing numbers of cyberattacks from groups targeting both individuals and businesses. The privacy and security of customer, tenant and corporate information is at risk of being compromised through a breach of our or our suppliers' IT systems or the unauthorised or inadvertent release of information, resulting in brand damage, impaired competitiveness or regulatory action. Cyberattacks may also adversely affect our ability to manage our business operations or operate information technology and business systems, resulting in business interruption, lost revenues, repair or other costs.

Shareholder Information

Financial Calendar

2020 full-year results announced	11th March 2021
Shares quoted ex-dividend	25th March 2021
Share registers closed	29th March to 2nd April 2021
Annual General Meeting to be held	5th May 2021
2020 final dividend payable	12th May 2021
2021 half-year results to be announced	29th July 2021*
Shares quoted ex-dividend	19th August 2021*
Share registers to be closed	23rd to 27th August 2021*
2021 interim dividend payable	13th October 2021*

* Subject to change

Dividends

Shareholders will receive their cash dividends in United States Dollars, except when elections are made for alternate currencies in the following circumstances.

Shareholders on the Jersey Branch Register

Shareholders registered on the Jersey branch register will have the option to elect for their dividends to be paid in Sterling. These shareholders may make new currency elections for the 2020 final dividend by notifying the United Kingdom transfer agent in writing by 28th April 2021. The Sterling equivalent of dividends declared in United States Dollars will be calculated by reference to a rate prevailing on 3rd May 2021.

Shareholders holding their shares through CREST in the United Kingdom will receive their cash dividends in Sterling only.

Shareholders on the Singapore Branch Register who hold their shares through The Central Depository (Pte) Limited ('CDP')

Shareholders who are on CDP's Direct Crediting Service ('DCS')
For those shareholders who are on CDP's DCS, they will receive their cash dividends in Singapore Dollars unless they opt out of CDP Currency Conversion Service, through CDP, to receive United States Dollars.

Shareholders who are not on CDP's DCS
For those shareholders who are not on CDP's DCS, they 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 Group, The Registry, 10th Floor, Central Square, 29 Wellington Street, Leeds LS1 4DL, United Kingdom

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

Offices

Hongkong Land Holdings Limited

Jardine House
33-35 Reid Street
Hamilton HM EX
Bermuda
Tel +1441 292 0515
E-mail: gpobox@hkland.com
Philip A. Barnes

Hongkong Land Limited

8th Floor, One Exchange Square
Hong Kong
Tel +852 2842 8428
E-mail: gpobox@hkland.com
Robert Wong

Hongkong Land (Beijing) Management Company Limited

Room 303, Block 26, Central Park
No. 6 Chaoyangmenwai Avenue
Chaoyang District
Beijing 100020
China
Tel +86 10 6597 0921
E-mail: gpobox.bj@hkland.com
James Zhang

Hongkong Land (Chengdu) Investment and Development Company Limited

16F, Block A, Weland Centre
No. 246 Dongda Road
Jinjiang District
Chengdu 610065
Sichuan Province
China
Tel +86 28 61556008
E-mail: gpobox.cd@hkland.com
Yin Ming

Hongkong Land (Chongqing) Investment and Holding Co. Ltd.

3/F, Zone D, Neptune Building
No. 62 Star Light Road
New North Zone
Chongqing 401147
China
Tel +86 23 6703 3016
E-mail: gpobox.cq@hkland.com
Ling Chang Feng

Hongkong Land (Hangzhou) Shengyue Management Co. Ltd.

Unit 3001-1, Building One
Ping An Finance Centre
No. 280 Mingxin Road
Jianggan District
Hangzhou 310016
Zhejiang Province
China
Tel +86 571 87013930
E-mail: gpobox.hz@hkland.com
Shi Guangyu

Hongkong Land (Nanjing) Puzhi Management Co., Ltd.

Unit B, 55/F, Nanjing Center
No. 1 Zhongshan South Road
Qinhuai District
Nanjing 210001
Jiangsu Province
China
Tel +86 25 8333 8388
E-mail: gpobox.nj@hkland.com
Wesley Wu

Hongkong Land (Philippines) Consultancy, Inc.

1803 The Taipan Place
F. Ortigas Jr. Road
Ortigas Center
Pasig City 1605
Philippines
Tel +63 2 737 6348
E-mail: gpobox.ph@hkland.com
Lee Chee Hoe

Hongkong Land (Premium Investments) Limited

Unit 702, 7th Floor, EXCHANGE SQUARE
No. 19 & 20
Street 106, Village 2
Sangkat Wat Phnom
Khan Daun Penh, Phnom Penh
Cambodia
Tel +855 2399 2063
E-mail: gpobox.cambodia@hkland.com
James Padden

Hongkong Land (Shanghai) Management Company Limited

11/F, Tower A, LCM
No. 2389 Zhangyang Road
Pudong New District
Shanghai 200135
China
Tel +86 21 2020 0086
E-mail: gpobox.sh@hkland.com
Zhao Jun

Hongkong Land (Singapore) Pte. Ltd.

One Raffles Quay
#22-10 South Tower
Singapore 048583
Tel +65 6238 1121
E-mail: gpobox.sg@hkland.com
Robert Garman

Hongkong Land (Wuhan) Investment and Development Company Limited

Room 1208, CITIC PACIFIC MANSION
No. 1627 Zhongshan Avenue
Jiang An District
Wuhan 430014
Hubei Province
China
Tel +86 27 8289 1566
E-mail: gpobox.wh@hkland.com
Wang Yi Bin

HKL (Thai Developments) Limited

Unit B, 20th Floor, Gaysorn Tower
No. 127 Rajdamri Road
Lumpini Sub-District
Pathumwan District
Bangkok 10330
Thailand
Tel +66 2 033 0160 ext. 30168
Email: gpobox.thailand@hkland.com
William Bright

HKL (Vietnam) Consultancy and Management Company Limited

Suite 704, The Metropolitan
235 Dong Khoi
Ben Nghe Ward, District 1
Ho Chi Minh City
Vietnam
Tel +84 28 3827 9006
E-mail: gpobox.hcmc@hkland.com
Cosimo Jencks

Beijing Yee Zhi Real Estate Consultancy Co., Ltd.

Room 1123A, 11/F
Office Tower 3 Beijing APM
No. 138 Wangfujing Street
Dongcheng District
Beijing 100006
China
Tel +86 10 6520 4800
E-mail: gpobox.bj@hkland.com
Shirley Lam

MCL Land Limited

One Raffles Quay
#22-10 South Tower
Singapore 048583
Tel +65 6238 1121
E-mail: gpobox.mcl@hkland.com
Tan Wee Hsien

PT Hongkong Land Consultancy and Management

World Trade Centre 1, 17th Floor
Jl. Jend. Sudirman Kav. 29–31
Jakarta 12920
Indonesia
Tel +62 21 521 1125
E-mail: gpobox.indonesia@hkland.com
Francis Yee

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 2020, totalled US$30,069,900,000 (United States Dollars Thirty Billion Sixty-Nine Million and Nine 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, 15th January 2021

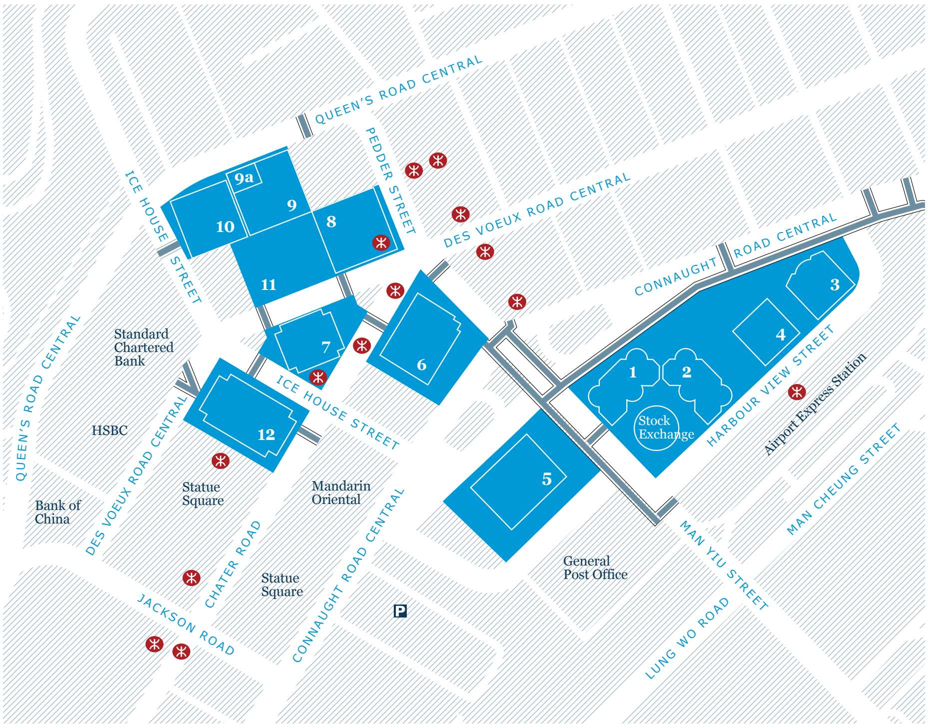
Major Property Portfolio

at 31st December 2020

Investment Properties	Attributable interest %	Location	Lettable area of the property Total	Office	Retail
			(in thousands of square metres)		
Alexandra House	100	Hong Kong	35	30	5
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	42	42	–
Landmark Atrium	100	Hong Kong	23	–	23
Edinburgh Tower	100	Hong Kong	45	32	13
York House	100	Hong Kong	10	10	–
Prince's Building	100	Hong Kong	51	38	13
WF CENTRAL	84	Beijing	43	–	43
One Central	49	Macau	19	–	19
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		285		
Tower 1		Singapore		57	3
Tower 2		Singapore		95	6
Tower 3		Singapore		116	8
World Trade Centre 1	50	Jakarta	43	37	6
World Trade Centre 2	50	Jakarta	60	56	4
World Trade Centre 3	50	Jakarta	73	69	4
World Trade Centre 5	50	Jakarta	15	14	1
World Trade Centre 6	50	Jakarta	19	17	2
EXCHANGE SQUARE	100	Phnom Penh	25	17	8
Gaysorn	49	Bangkok	17	5	12
Central Building	65	Hanoi	4	3	1
63 Ly Thai To	73.9	Hanoi	7	6	1

Development Properties	Attributable interest %	Location	Developable area of the property Total	Construction completed	Under construction/ to be developed
			(in thousands of square metres)		
Artisan Bay	33	Chengdu	155	70	85
WE City	50	Chengdu	922	708	214
Beryl Grove	100	Chongqing	133	–	133
Central Avenue	50	Chongqing	1,115	586	529
Harbour Tale	50	Chongqing	114	86	28
Hillview	50	Chongqing	61	–	61
Landmark Riverside	50	Chongqing	1,109	794	315
River One	100	Chongqing	161	117	44
Scholar’s Mansion	50	Chongqing	318	–	318
The Pinnacle	100	Chongqing	125	–	125
Yorkville North	100	Chongqing	1,116	761	355
Hangzhou Bay	30	Hangzhou	791	80	711
The Riverside	100	Hangzhou	74	–	74
JL CENTRAL	50	Nanjing	252	–	252
Yue City	33	Nanjing	251	17	234
Galaxy Midtown	26.7	Shanghai	389	–	389
Irvine Bay	50	Shanghai	64	–	64
Dream Land	50	Wuhan	494	87	407
Lakeward Mansion	66	Wuhan	226	–	226
Leedon Green	50	Singapore	49	–	49
Margaret Ville	100	Singapore	22	–	22
Parc Esta	100	Singapore	98	–	98
Arumaya	40	Jakarta	24	–	24
Asya	33.5	Jakarta	896	29	867
Avania	50	Jakarta	131	–	131
Nava Park	49	Jakarta	652	148	504
King Kaew	49	Bangkok	178	–	178
Nonthaburi	49	Bangkok	434	11	423
The Marq	70	Ho Chi Minh City	57	–	57

Hong Kong – Central District



Hongkong Land properties

Public car park

Pedestrian bridges

Mass Transit Railway access

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

Beijing, China


WF CENTRAL


CBD Z3 Project*


Central Park

Chengdu, China


WE City*


Artisan Bay*

Chongqing, China


Landmark Riverside

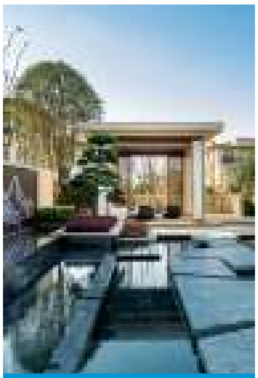

Yorkville South


Yorkville North


Central Avenue


River One


Xiao Yuan Project*

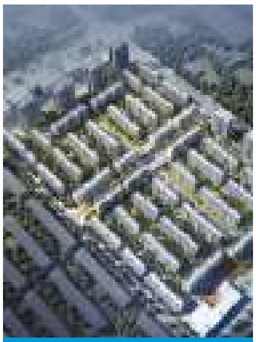

New Bamboo Grove


Hillview


Harbour Tale


The Pinnacle

Chongqing, China


Scholar's Mansion*


Beryl Grove*

Hangzhou, China


Hangzhou Bay


The Riverside

Macau, China


One Central

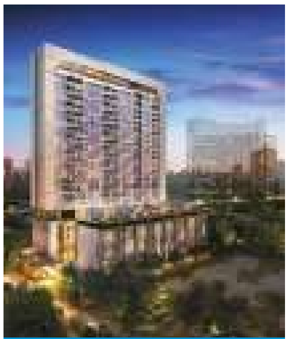
* This rendering is for illustration and reference only, subject to change and government approval.

Indonesia


WTC


Anandamaya Residences


Nava Park


Arumaya*

Indonesia


Asya*


Avania*

Cambodia


Central Mansions


EXCHANGE SQUARE


313 Quayside

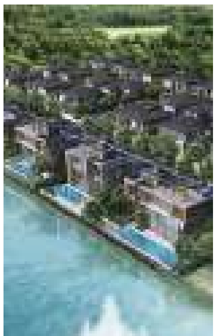
Thailand


Gaysorn


The ESSE Sukhumvit 36


British Embassy Site


Lake Legend


King Kaew Project*


Wireless Road Project*

Vietnam


Central Building


63 Ly Thai To


The Marq*

Malaysia

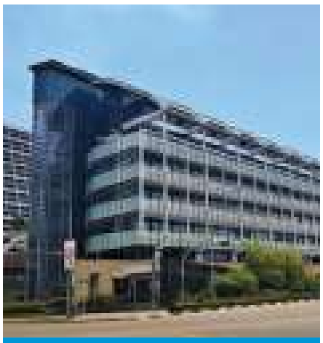

Wangsa Walk Mall

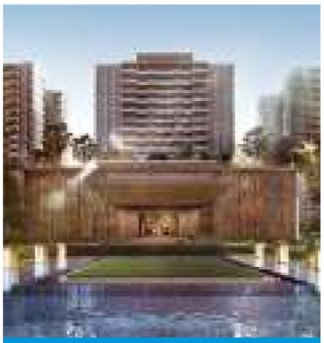

The Quinn*

Singapore


Marina Bay Financial Centre


One Raffles Quay


One Raffles Link

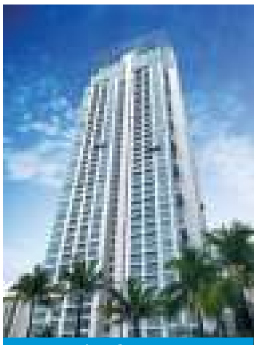

Parc Esta*

Singapore


Leedon Green*


Margaret Ville*

Philippines


Roxas Triangle Towers


Mandani Bay*


The Velaris Residences*

Shanghai, China


West Bund Site*

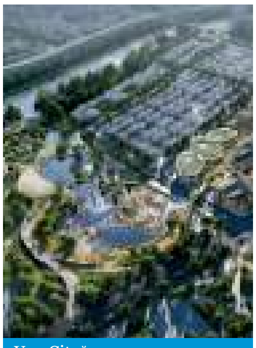

Parkville


Galaxy Midtown*


Irvine Bay*

Nanjing, China


JL CENTRAL*


Yue City*


River and City*

Wuhan, China


Dream Land


Lakeward Mansion*

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Hongkong Land Holdings Limited

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