Annual Report 2014

Hongkong Land Holdings Limited

Bronze sculpture, Tai Chi – Single Whip Dip, by Ju Ming at The Forum, the Group's newest property in Hong Kong's Central Business District, which opened in 2014 (front cover).

Jardines
A member of the Jardine Matheson Group

Contents

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

The Group owns and manages almost 800,000 sq. m. of prime office and luxury retail property in key Asian cities, principally in Hong Kong and Singapore. Hongkong Land's properties attract the world's foremost companies and luxury brands.

The Group's prime Hong Kong portfolio of some 450,000 sq. m. is located in the heart of the Central district. In Singapore, its 165,000 sq. m. portfolio consists largely of prestigious office space located at Marina Bay, much of which is held through joint ventures. The Group also has a 50% interest in a prime office complex in Central Jakarta, and has a number of projects under development that include a luxury retail centre at Wangfujing in Beijing.

Hongkong Land is developing a number of largely residential projects, in cities across Greater China and Southeast Asia. In Singapore, its subsidiary, MCL Land, is a well-established residential developer.

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

Corporate Information

Directors

Ben Keswick Chairman and Managing Director

Y.K. Pang Chief Executive

Charles Allen-Jones

Mark Greenberg

Adam Keswick

Sir Henry Keswick

Simon Keswick

Lord Leach of Fairford

Dr Richard Lee

Anthony Nightingale

Lord Powell of Bayswater, KCMG

Lord Sassoon, Kt

James Watkins

Percy Weatherall

John R. Witt

Michael Wei Kuo Wu

Company Secretary and Registered Office

John C. Lang

Jardine House

33-35 Reid Street

Hamilton

Bermuda

Hongkong Land Limited

Directors

Ben Keswick Chairman

Y.K. Pang Chief Executive

R.M.J. Chow

R.L. Garman

Mark Greenberg

Adam Keswick

D.P. Lamb

N. Leung

James Riley

J.A. Robinson

Giles White

John R. Witt Chief Financial Officer

R. Wong

Corporate Secretary

N.M. McNamara

Highlights

- **Underlying profit maintained**
- **Another strong year for commercial portfolio**
- **Reduced residential contribution despite increase from mainland China**
- **Stable asset values**

Results

	2014	2013	Change
	US$m	US$m	%
Underlying profit attributable to shareholders*	**930**	935	(1)
Profit attributable to shareholders	**1,327**	1,190	12
Shareholders' funds	**27,548**	26,857	3
Net debt	**2,657**	3,025	(12)
	US¢	US¢	%
Underlying earnings per share*	**39.52**	39.73	(1)
Earnings per share	**56.42**	50.56	12
Dividends per share	**19.00**	18.00	6
	US$	US$	%
Net asset value per share	**11.71**	11.41	3

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

Chairman's Statement

Overview

Hongkong Land performed well in 2014, its 125th anniversary, with results broadly in line with the prior record year. The Group's commercial portfolio produced another strong result with the benefit of higher overall average rents. In the residential development business, while there were strong contributions from the sale of the remaining units of the Serenade in Hong Kong and increased completions in mainland China, these were more than offset by fewer unit completions in Singapore.

Performance

Underlying profit attributable to shareholders was US$930 million, marginally below the US$935 million achieved in 2013. After taking into account the net gain of US$397 million recorded principally on the valuation of the Group's investment properties, the profit attributable to shareholders for the year was US$1,327 million. This compares to US$1,190 million in 2013, which included net valuation gains of US$255 million.

The net asset value per share at 31st December 2014 was US$11.71, compared with US$11.41 at the end of 2013.

The Directors are recommending a final dividend of US¢13.00 per share, providing a total dividend for the year of US¢19.00 per share compared with US¢18.00 per share for 2013.

Group Review

Commercial Property

The commercial office market in Hong Kong remained broadly stable during the year, although demand for space continued to be subdued. The Group's average office rent rose by 3% to HK$102 per sq. ft, compared with HK$99 per sq. ft in 2013. Vacancy was 5.4% at 31st December 2014, compared with 6.0% at 30th June 2014. While reversions in office rents were slightly negative for the full year, the benefit from the positive reversions in 2013 led to increases in both revenue and underlying profit. The Group's retail portfolio remained fully occupied and saw strong positive rental reversions. The average retail rent rose 6% to HK$214 per sq. ft.

In Singapore, markets also remained stable with vacancy of 1.7% in the Group's office portfolio at the year-end compared with 1.4% at the end of June. Higher rents were also achieved at Jakarta Land, the Group's joint venture in Indonesia.

In mainland China, good progress is being made on the development of WF CENTRAL, the Group's luxury retail complex project located on a prime site at Wangfujing in Beijing.

Residential Developments

The Group's residential development activities performed ahead of expectations, although the results were slightly down on 2013. The performance in 2014 was driven by the sale during the year of the remaining units at both the Serenade development in Hong Kong and the 47%-owned One Central joint venture in Macau.

The first significant contribution was received from completed phases at the two wholly-owned residential development projects in Chongqing, which reflects the increasing scale of the Group's operations in that market. Revenue recognised during the year rose by 38% from US$451 million to US$621 million. The Group's attributable interest in contracted sales in mainland China for 2014 was US$635 million compared with US$632 million in 2013. Despite performing reasonably well overall in challenging markets, the Group made provisions of US$38 million against joint-venture projects in Shenyang.

In Singapore, the Group's wholly-owned subsidiary, MCL Land, completed two fully-sold projects during the year: the 95-unit Uber 388 and the 414-unit Terrasse.

In Indonesia, good progress is being made in the development of the Group's 49%-owned joint venture project, Nava Park, and the 40%-owned joint venture project with Astra International, Anandamaya Residences. In the Philippines, the 40%-owned 182-unit luxury development in Manila is also making good headway.

Financing

The Group's financial position remained strong with net debt of US$2.7 billion at 31st December 2014, down from US$3.0 billion at the end of 2013. Gearing at the end of the year was 10%, compared with 11% in the previous year.

Corporate Developments

On 27th May 2014, the transfer of the Company's listing on the Main Market of the London Stock Exchange to the Standard listing category was completed, following shareholder approval at a Special General Meeting in April 2014.

People

We are grateful to our people who have consistently shown high levels of professionalism, dedication and commitment in providing distinguished services to our tenants and residential buyers throughout the year. Their continued contributions and hard work are critical to Hongkong Land's excellent reputation and quality.

Mr Jenkin Hui passed away on 4th September 2014 and, on behalf of the Board, I would like to note our appreciation for his significant contribution over many years of service as a non-executive Director of the Company. His wise counsel will be missed.

Outlook

Conditions in the commercial leasing market in Hong Kong are likely to remain stable in 2015 as supply continues to be limited. In the residential business, while further strong profits are expected from our activities in mainland China, earnings are projected to be lower overall due to reduced profits from other markets.

Ben Keswick
Chairman
11th March 2015

Chief Executive's Review

Hongkong Land had another excellent year in 2014, with an increased contribution from its commercial portfolio and another sound result in its residential activities, bolstered by increased earnings in mainland China. Celebrating its 125th year, the Group remains as healthy as ever and is well positioned to grow further in its key markets.

Strategy

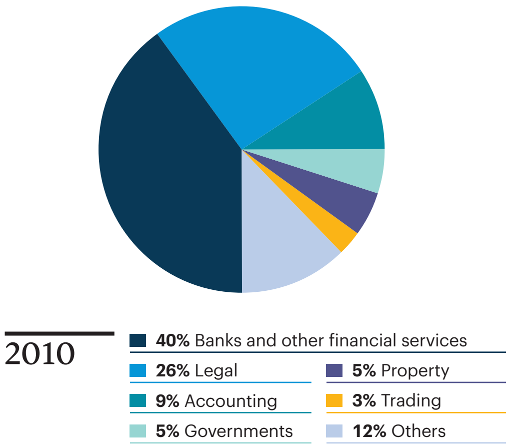
The Group's commercial portfolios in Hong Kong and Singapore remain the most important investments, with landmark assets in these two key Asian financial centres. Together, they provide a stable source of earnings, which allow the Group to continue to invest across its core markets in Greater China and Southeast Asia. Hongkong Land's commercial business seeks to continue growing its exceptional portfolio of properties in prime locations across the region.

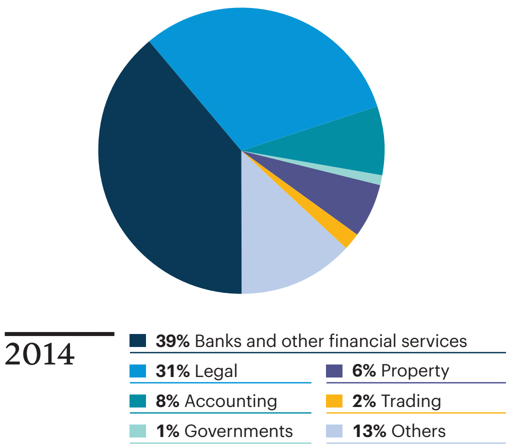
The Group's residential business is beginning to provide a more stable stream of earnings as recurring revenues from our mainland China operations become more substantial. Our attributable interest in the developable area of our projects totals 5.2 million sq. m. across four cities in China. Of this, only some 1.1 million sq. m. had been handed over to buyers by the end of 2014, leaving significant room for growth over the coming years from further completions. In Singapore, MCL Land, our 100%-owned residential developer, maintains a steady pipeline of projects. Despite some challenges in the luxury market, this business remains a core contributor to our earnings. In Indonesia and the Philippines, our joint venture projects are some way from completion, though these demonstrate the Group's appetite and ability to leverage its excellent reputation and enter new markets on an opportunistic basis.

Hong Kong's Central Portfolio

In Hong Kong, our portfolio in Central consists of 12 buildings, representing over 450,000 sq. m. of Grade A office and luxury retail space. Based in the heart of the financial district, these buildings attract premium tenants, who demand the foremost quality and location. They continue to be managed as an integrated mixed-use development, presenting a unique offering in Hong Kong. Although economic conditions in Hong Kong fluctuate and are impacted by events beyond its borders, rental rates are underpinned by the limited supply of such quality space, which we carefully maintain through continuous investment and renovation.

The luxury retail space of over 54,000 sq. m. is critical to the success of the Group's commercial portfolio in Central. With the most desirable global retail brands as tenants and ten Michelin stars across its leading restaurants, our Landmark shopping complex clearly establishes the portfolio's reputation as an iconic centre in the city.





Central portfolio office tenant profile by area occupied

Central portfolio top five office tenants (in alphabetical order)

in 2014

ANZ
BNP Paribas
JP Morgan
KPMG
PricewaterhouseCoopers

Central portfolio top five retail tenants (in alphabetical order)

in 2014

Dickson Concepts
Giorgio Armani
Kering Group
Louis Vuitton
Richemont Group

Commercial Property Investments in Asia

Outside Hong Kong, the Group has similarly established itself as a leading provider of office and retail space over recent years. In Singapore, Hongkong Land's interests of some 160,000 sq. m. include some of the finest premium Grade A office space in the market, principally in the Marina Bay Area. The Group's 50%-owned joint venture in Indonesia, Jakarta Land, is continuing to extend its 140,000 sq. m. office development, with construction underway on its 73,000 sq. m. fifth tower. Development also continues at both our retail and office projects in Beijing, WF CENTRAL and CBD, as well as at our mixed-use project in Phnom Penh.

The performance of our commercial portfolio remains, as ever, subject to market fluctuations driven by supply and demand as well as macro-economic conditions. However, the Group endeavours to uphold its reputation for quality in order to continue to attract premium tenants and customers.

Residential Developments

Based on the Group's experience and reputation, we have established a strong and profitable residential trading business focusing primarily on the premium market in Greater China and Southeast Asia. While the capital invested in this activity is significantly lower than our commercial business, the residential projects enhance the Group's overall profits and returns on capital.

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

Review of Commercial Property

Hong Kong

While overall demand in the office market remained relatively soft in 2014, with limited growth in the financial services sector, the restricted supply of Grade A space in Central supported market rents. The Group experienced slightly negative reversions for the full year, as it renewed contracts from the market peak of 2011. However due to the impact of positive reversions in 2013 and the first half of 2014, average rents increased by 3% to HK$102 per sq. ft. Financial institutions, law firms and accounting firms continue to account for 78% of total leasable area. Vacancy at the end of 2014 was 5.4% compared to 5.0% at the end of 2013. The vacancy across the entire Grade A Central market was 3.7% at the end of 2014.

Despite some slowdown in luxury sales in Hong Kong, demand for the Group's retail space in the heart of the Central District was resilient in 2014. Average rents increased by some 6% to HK$214 per sq. ft from the 2013 average of HK$201 per sq. ft.

Amidst stable capitalisation rates, the combined portfolio in Hong Kong at 31st December 2014, based on independent valuations, was US$22.2 billion, in line with last year.

Central portfolio
at 31st December 2014

	Office	Retail
Capital value (US$m)	17,179	4,980*
Gross revenue (US$m)	671	247*
Equivalent yield (%)		
– One and Two Exchange Square	4.00	
– The Landmark Atrium		4.50
Average unexpired term of leases (years)	3.4	2.8
Area subject to renewal/review in 2015 (%)	27	32

* including hotel

Singapore

Leasing activity in Singapore also remained relatively subdued, though amidst limited supply and low vacancy, market rents have picked up moderately. Our portfolio continued to perform well with the office portfolio almost fully leased. The average rent across the office portfolio in 2014 was S$9.2 per sq. ft, in line with the previous year.

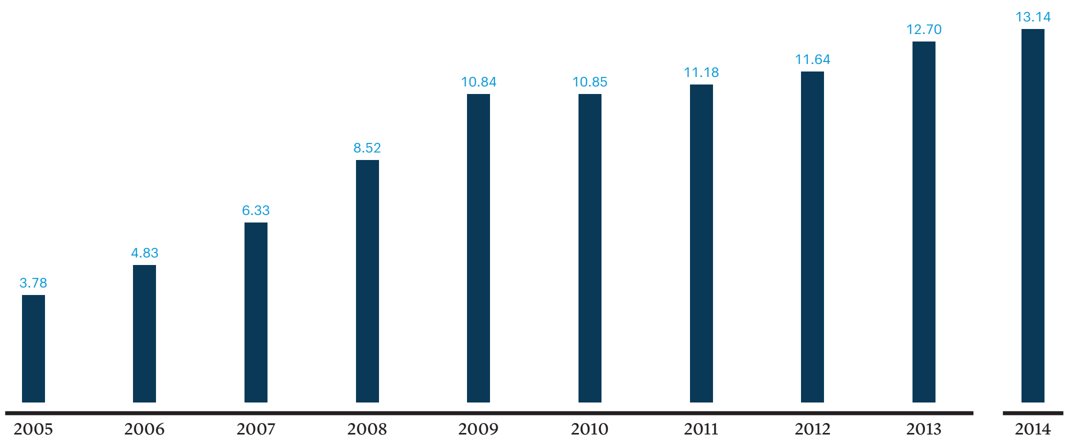
Financial institutions, law firms and accounting firms account for 83% of total leasable area, although there is increasing demand from other sectors.

Vacancy across the Group's Singapore portfolio at the end of 2014 was 1.7%, in line with the previous year end. The vacancy across the entire Grade A CBD market was 6.1% as at 31st December 2014 compared to 6.5% at the end of 2013.

Other Commercial Property Investments

WF CENTRAL, the Group's luxury retail project in the heart of Beijing, is progressing well, with completion expected towards the end of 2016. The 50,000 sq. m. iconic development, which will include an exclusive 74-room Mandarin Oriental hotel, will be a highly prestigious shopping, dining and lifestyle destination in the city. Planning continues at the Group's site in the CBD Core Area of Beijing's Chaoyang District, in which it owns a 30% interest. This project will be developed as a prime Grade A office building of some 120,000 sq. m.

In Macau, One Central, the Group's 47%-owned joint venture project maintained a strong contribution to the Group due to positive rental reversions. With its 20,000 sq. m. of retail space, One Central carries the leading luxury brands and provides a unique shopping destination in the city. Occupancy at the end of 2014 was 96%, slightly higher than the previous year. In 2014, revenues increased by approximately 7%.



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

In Jakarta, where market rents have continued to increase, good headway was made with the construction of a fifth tower at the Group's 50%-owned joint venture, Jakarta Land. At 31st December 2014, occupancy across the portfolio was 95%, slightly higher than the previous year. The average rent in 2014 increased by 11% to US$24.0 per sq. m., compared with US$21.6 per sq. m. in 2013.

In Phnom Penh, Cambodia, the Group's 28,000 sq. m. prime retail and office development in the heart of the city remains on track for completion in 2017.

The Group's other commercial investment properties in Hanoi and Bermuda continued to perform satisfactorily, while Gaysorn in Bangkok has been negatively affected by local market conditions.

Review of Residential Property

The Group's residential property activities continued to perform well in 2014, albeit down from a record year in 2013. Increased profits from Hong Kong and our developments in China partially compensated for a reduced contribution from Singapore where only two projects were completed, compared with three in 2013.

Hong Kong and Macau

In Hong Kong, the final 14 units were handed over to buyers at the Group's 97-unit Serenade project, compared with seven units in 2013.

The final five units were also handed over to buyers at the Group's One Central joint venture development in Macau, compared to eight units in 2013.

Mainland China

The Group's residential business was active in four cities across mainland China, Chongqing, Chengdu, Shenyang and Beijing. These are predominantly long-term projects of different product types that are being developed in phases over time.

Despite some slowing down in the overall residential market in China amidst economic uncertainty, the Group's sales performance was in line with last year. In mainland China, the Group's attributable interest in contracted sales across our six development projects was US$635 million in 2014, compared with US$632 million in the prior year.

During 2014, the Group's results benefited from higher sales completions in the year. The Group's attributable interest in revenue, including its subsidiaries and its share of joint ventures was US$621 million, an increase of 38% from US$451 million in 2013. However, due to particularly challenging market conditions in Shenyang which have negatively affected sales at the Group's joint ventures in the city, provisions of US$38 million were made against the carrying value of the Group's investments.

At 31st December 2014, the Group's China residential projects had US$533 million in sold but unrecognised contracted sales, compared with US$534 million at the end of 2013.

Chongqing, the largest city in western China, remains the Group's largest residential market in the country. It accounts for some 77% of the Group's total residential investments in mainland China. Our developments consist of two 100%-owned projects, Yorkville South and the adjacent Yorkville North, and three 50%-owned joint ventures, Bamboo Grove, Landmark Riverside, and Central Avenue.

At the Group's wholly owned projects, Yorkville South and Yorkville North, revenue recognised during the period totalled US$318 million compared to US$238 million in 2013. These projects are in the relatively early stages of development. Yorkville South has a developable area of some 880,000 sq. m., of which some 280,000 sq. m. has been completed while the adjacent project, Yorkville North, has 1.1 million sq. m. of developable land, of which 160,000 sq. m. has now been completed.

At the Group's joint venture projects in Chongqing, Bamboo Grove and Landmark Riverside recognised sales of US$185 million in 2014 compared to US$168 million in 2013, while Central Avenue will see its first completions in 2016. Bamboo Grove, our joint venture with Longfor Properties, is a 78 hectare site consisting of some 1.5 million sq. m. of developable space, of which roughly 1.1 million sq. m. has now been developed. Landmark Riverside, the Group's joint venture with China Merchants Property Development, owns a 34 hectare site at Dan Zishi in Chongqing. Upon full completion, the project will consist of approximately 1.5 million sq. m. of residential development and prime retail space, of which approximately 190,000 sq. m. has been developed. Our most recently acquired project in Chongqing, Central Avenue, is also a joint venture with China Merchants Property Development. It consists of a 40 hectare site next to Central Park in the Yubei District. The total developable area will be approximately 1.1 million sq. m.

In Chengdu, the Group owns a 19 hectare site, WE City, in a 50% joint venture with KWG Property Holding Group. In 2014, its first phase was partially completed with revenue recognised of US$66 million during the year. The project is a mixed-use residential and commercial development with a developable area of approximately 900,000 sq. m., of which some 60,000 sq. m. has been completed.

In Shenyang, the Group continues development at two of our 50%-owned residential projects in the city with the third project under planning. Revenue recognised during 2014 totalled US$26 million, compared to US$16 million in 2013. The three Shenyang projects have a total developable area of approximately 2.0 million sq. m., of which some 260,000 sq. m. has been completed.

In Beijing, at the Group's 90%-owned Maple Place project, 16 units were handed over to buyers in 2014, in line with 2013. A further 64 units consisting of villas, townhouses and apartments remain available for future sale. These are predominantly under lease at present.

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

Singapore

2014 was another relatively quiet year for sales activity in Singapore. MCL Land launched the 699-unit LakeVille project in 2014, which was 51% pre-sold at year end, and sales at two other projects continued.

During the year, there were two project completions, both by MCL Land. These were the 95-unit Uber 388 and the 414-unit Terrasse, both of which had been fully pre-sold. At the 221-unit Marina Bay Suites development, which is 33%-owned by Hongkong Land, just three units were handed over during the year, leaving a total of 18 units remaining. The Group's result in Singapore also benefited from a writeback of provisions principally related to two residential projects.

In 2015, three 100%-owned projects are scheduled for completion, Ripple Bay, Hallmark Residences and Palms @ Sixth Avenue. The Ripple Bay project, comprising 679 units, was 100% pre-sold at end-2014. The 75-unit Hallmark Residences and 32-unit Palms @ Sixth Avenue, both premium developments in Singapore's luxury sector, were 88% and 56% pre-sold, respectively. Sales have remained slow at the high end of the market, which has been hardest hit by government cooling measures.

In 2016, two 100%-owned condominium projects will be completed. J Gateway, consisting of 738 units, is 100% pre-sold, while the 699-unit LakeVille project is 53% pre-sold. Meanwhile, the main contract has been awarded for both sites at Choa Chu Kang Grove, which are scheduled for completion in 2018.

Other Residential Developments

In Indonesia, construction continues at our two residential projects acquired in 2013. Nava Park is a 49%-owned residential joint venture with PT Bumi Serpong Damai, located southwest of Central Jakarta. This project consists of a mix of residential towers, semi-detached houses and villas, with its first phase scheduled for completion in 2016. Of the 223 units that have been launched for sale, 58% were pre-sold at year end. The 40%-owned Anandamaya Residences, a residential development with affiliate, Astra International, is expected to be completed in 2018. All of the 509 units in the development have been launched for sale, with 70% pre-sold at year end.

In the Philippines, the development of a luxury 182-unit condominium tower in Manila's central Makati area continues. Hongkong Land has a 40% interest in the project, the first phase of which was developed over ten years ago. In addition, master planning is now complete at the Group's 40%-owned development in Cebu. This 20 hectare site will consist principally of residential units though will also include an office and retail component. The first phase of development is expected to be launched in the second half of this year.

Outlook

The strong contribution from the Group's commercial properties is expected to continue over the coming year. In the residential sector, as with the current year, significant profits from our mainland China residential activities are expected to continue, however this will be more than offset from lower profits in 2015 from our other residential businesses, notably Hong Kong and Singapore. While uncertainties persist in the residential market in mainland China, as our projects mature, recurring revenues will continue to increase over the coming years.

The Group maintains robust financial health and a strong position in the markets of Greater China and Southeast Asia to enable it to take advantage of future opportunities.

We will continue to deliver world class service and quality to both our tenants and customers alike, ensuring the very highest standards are upheld. These values are critical to the prolonged success of the Group, and remain our priority in order to protect our leading market position and maintain strong shareholder returns over the long term.

Y.K. Pang
Chief Executive
11th March 2015

Financial Review

Accounting Policies

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

Results

Underlying Profit

The Group's underlying profit attributable to shareholders in 2014 was US$930 million (or US¢39.52 on an earnings per share basis). This result can be analysed between the contribution from Commercial Property, the contribution from Residential Property and unallocated expenses, which include corporate costs, net financing charges and tax. Each of these items includes the Group's share of results from its joint ventures.

	2014 US$m	2013 US$m
Commercial Property, pre-tax	**953**	914
Residential Property, pre-tax	**398**	413
Corporate costs, net financing charges and tax	**(412)**	(387)
Non-controlling interests	**(9)**	(5)
Underlying profit attributable to shareholders	**930**	935
	US¢	US¢
Underlying earnings per share	**39.52**	39.73

In 2014, the contribution from Commercial Property increased by 4% to US$953 million.

Rental revenues from the Group's Hong Kong portfolio increased by 4% as the average rent per square foot for both the office and retail space were higher than the previous year.

Contribution from the Group's commercial property investments in Singapore increased by 7% compared to the prior year, where the Group also benefited from higher average occupancy during the year.

Contribution from Residential Property was US$398 million, a 4% decrease from 2013. In Singapore, two projects were completed during the year, Terrasse (414 units) and Uber 388 (95 units), both of which were fully pre-sold prior to completion. The Group benefited from a US$56 million reversal of writedowns previously made in respect of residential projects, primarily Hallmark Residences and Palms @ Sixth Avenue, following successful pre-sales. In 2013, there was a US$13 million reversal of writedowns. The Group continues to carry writedowns of US$27 million which were originally made in 2008 in respect of these MCL Land developments which are due for completion in 2015.

In Hong Kong, profits were also derived from the sale of the last 14 apartments which were handed over to buyers at the 97-unit Serenade development. In Macau, the Group benefited from its 47% share of the profit from the five remaining units which were handed over to buyers at the residential component of One Central, Macau. In mainland China, profits were principally generated from sales at 90%-owned Maple Place in Beijing (16 units); at 100%-owned Yorkville North (872 units), at 100%-owned Yorkville South (780 units), at 50%-owned Bamboo Grove (1,032 units) and at 50%-owned Landmark Riverside (907 units) in Chongqing; and at 50%-owned WE City (373 units) in Chengdu. Due to the challenging market conditions in Shenyang, the Group made provisions of US$38 million against its joint-venture projects in the city.

In 2013, the contribution from Residential Property of US$413 million arose from the completion of MCL Land's Este Villa (121 units) and The Estuary (608 units) developments in Singapore which had both been 100% pre-sold, the completion of the Group's one-third owned Marina Bay Suites in Singapore, the sale of seven apartments at the Serenade in Hong Kong and eight units at One Central, Macau as well as sales at Maple Place (17 units), Yorkville South (292 units), Bamboo Grove (1,581 units) and Landmark Riverside (325 units) in mainland China.

Net financing charges in 2014, including the Group's share of net financing charges within joint ventures were US$103 million, unchanged from the previous year. The average interest rate on Group borrowings was 2.9%, compared to 2.7% in 2013. The average interest rate on Group deposits in 2014 was 1.1%, in line with last year.

The Group's underlying tax charge, including the Group's share of joint ventures, increased to US$247 million from US$224 million in 2013 giving an effective tax rate of 20.1%, which includes Land Appreciation Tax at the Group's residential projects in mainland China. The effective tax rate in 2013 was 18.3%.

Non-Trading Gains

In 2014, the Group had non-trading gains of US$397 million compared with US$255 million in 2013. These arose principally on revaluations of the Group's investment properties, including its share of joint ventures, which were performed at 31st December 2014 by independent valuers.

The increase in valuations was principally due to revaluation gains in Singapore and Macau. The value of the Group's Central portfolio in Hong Kong was US$22.2 billion, in line with last year with capitalisation rates remaining unchanged from those used as at 31st December 2013.

Cash Flows

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

	2014 US$m	2013 US$m
Operating activities		
Operating profit, excluding non-trading items	**1,067**	917
Net interest and tax paid	**(215)**	(216)
Payments for residential sites	**(429)**	(367)
Development expenditure on residential projects	**(454)**	(303)
Proceeds from residential sales	**962**	918
Dividends received from joint ventures	**153**	151
Other	**(385)**	(192)
	699	908
Investing activities		
Major renovations capex	**(38)**	(40)
Funding of joint ventures	**(216)**	(422)
Loan repayments from joint ventures	**479**	104
Development expenditure	**(137)**	(134)
Other	**–**	114
	88	(378)
Financing activities		
Dividends paid by the Company	**(421)**	(397)
Net (repayment)/drawdown of borrowings	**(91)**	287
Other	**(18)**	1
	(530)	(109)
Net increase in cash and cash equivalents	**257**	421
Cash and cash equivalents at 1st January	**1,402**	981
Cash and cash equivalents at 31st December	**1,659**	1,402

Cash flows from operating activities in 2014 were US$699 million, compared with US$908 million in 2013. The Group's operating profit from its subsidiaries (excluding non-trading items) was US$1,067 million, US$150 million higher than in 2013. This was largely due to higher residential profits in the Group's subsidiaries in Hong Kong and mainland China. Net interest paid of US$81 million was US$4 million higher than in 2013 while tax paid of US$134 million was US$5 million lower than the prior year principally as a result of timing differences. In 2014, US$429 million was paid for residential development sites, including US$364 million for the Choa Chu Kang sites in Singapore. In 2013, US$367 million was paid for the Jurong West residential site in Singapore. In 2014, development expenditure on residential projects increased to US$454 million from US$303 million in 2013, but this was partially offset by higher residential sales proceeds of US$962 million in 2014 compared to US$918 million in 2013. Dividends received from joint ventures in 2014 of US$153 million were in line with the US$151 million dividends received of the previous year.

Under investing activities in 2014, the Group had inflows of US$88 million, compared to outlays of US$378 million in 2013. Capital expenditure of US$38 million related to major renovations, principally in respect of the Hong Kong Central portfolio. Funding of the Group's joint venture projects totalled US$216 million. This included investments of approximately US$150 million in the 50%-owned Central Avenue residential project in Chongqing and US$36 million in the 40%-owned residential-led project in Cebu in the Philippines. Also, under investing activities in 2014, the Group received US$479 million of loan repayments from joint ventures. This was largely due to the repayment of shareholder loans of some US$400 million following a refinancing at one of the Group's Singapore joint ventures. This compared to total repayments of US$104 million in 2013. Development expenditure of US$137 million was in line with the previous year, principally for the WF CENTRAL project in Beijing.

Under financing activities, the Company paid dividends of US$421 million, being the 2013 final dividend of US¢12.00 per share and the 2014 interim dividend of US¢6.00 per share. Also, the Group had a net repayment of borrowings of US$91 million.

The Group's year end cash and cash equivalents totalled US$1.6 billion, an increase of 14% from 2013. Of the US$1.6 billion, US$0.5 billion related to pre-sales proceed balances held within various of the Group's residential projects. At 31st December 2014, the Group's net debt was US$2.7 billion, down from US$3.0 billion at the beginning of the year.

Year-end debt summary*

	2014 US$m	2013 US$m
US$ bonds/notes	**1,509**	1,586
HK$ bonds/notes	**1,250**	1,186
HK$ bank loans	**530**	574
S$ bonds/notes	**437**	457
S$ bank loans	**594**	628
Gross debt	**4,320**	4,431
Cash	**1,663**	1,406
Net debt	**2,657**	3,025

* Before currency swaps

Dividends

The Board is recommending an increased final dividend of US¢13.00 per share for 2014 that will increase the total annual dividend to US¢19.00 per share, an increase of 6% over 2013. The final dividend will be payable on 13th May 2015, subject to approval at the Annual General Meeting to be held on 6th May 2015, to shareholders on the register of members at the close of business on 20th March 2015. No scrip alternative is being offered in respect of the dividend.

Treasury Policy

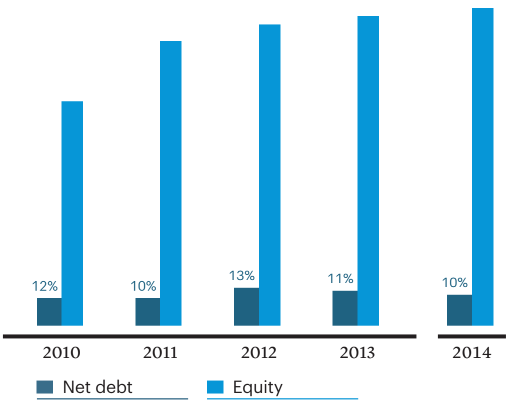
The Group manages its treasury activities within established risk management objectives and policies using a variety of techniques and instruments. The main objectives are to manage exchange, interest rate and liquidity risks and to provide a degree of certainty in respect of costs. The investment of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

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

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

Funding

The Group is well financed with strong liquidity. Net gearing was 10% at 31st December 2014, down from 11% at 31st December 2013. Interest cover, calculated as the underlying operating profits, including the Group's share of joint ventures' operating profits, divided by net financing charges including the Group's share of joint ventures' net financing charges, was strong at 12.5 times, compared with 12.3 times in 2013.

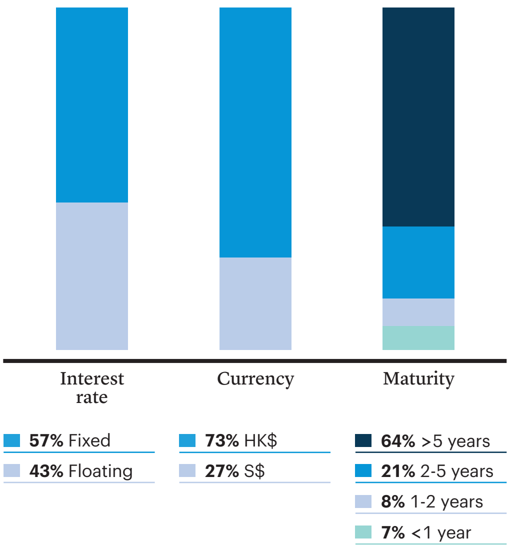


Net debt as a percentage of equity

In April 2014, Standard & Poor's upgraded the credit rating of Hongkong Land Holdings Limited to A from A- while Moody's maintained its rating of the Group at A3 throughout the year.

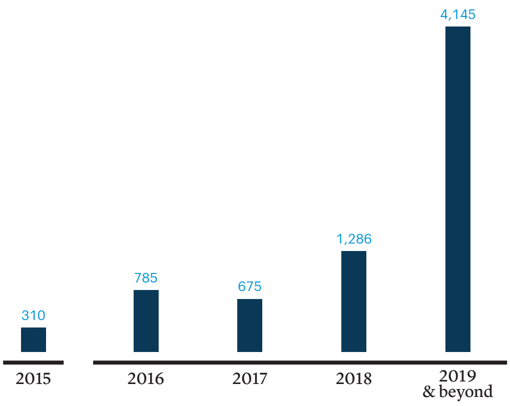
During the year, the Group raised notes and facilities with a number of banks totalling US$1.6 billion. Under the Group's Medium Term Note Programme, US$452 million notes with maturities ranging from 10 to 15 years were raised to refinance bonds that matured during the year. In addition, new bilateral facilities totalling US$355 million were used to refinance the banking facilities that expired during the year. Project loans of US$500 million and US$339 million were raised for the WF CENTRAL project in Beijing and MCL Land's Choa Chu Kang project in Singapore, respectively.

The average tenor of the Group's debt was 7.3 years at 31st December 2014, compared with 6.7 years at the end of 2013. Approximately 43% of the Group's borrowings were at floating rates and the remaining 57% were either fixed rate borrowings or covered by interest rate hedges with major credit worthy financial institutions.



Debt profile at 31st December 2014

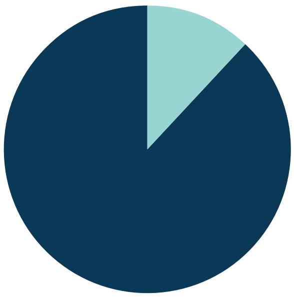
At 31st December 2014, the Group had total committed lines of approximately US$7.2 billion. Of these lines, 56% were sourced from banks with the remaining 44% from the capital markets. At the end of 2014, the Group had drawn US$4.3 billion of these lines leaving US$2.9 billion of committed, but unused, facilities. Adding the Group's year-end cash balances, the Group had overall liquidity at 31st December 2014 of US$4.5 billion, an increase from US$4.1 billion at the end of 2013.



Committed facility maturity at 31st December 2014 (US$m)

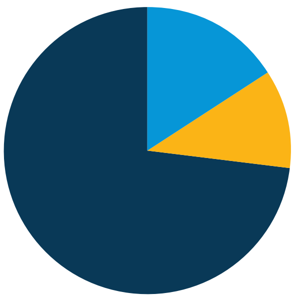
Gross Assets

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



- **88%** Commercial
- **12%** Residential

Gross assets by activity



- **73%** Hong Kong
- **16%** Southeast Asia
- **11%** Mainland China and Macau

Gross assets by location

Principal Risks and Uncertainties

A review of the principal risks and uncertainties facing the Group is set out on page 74.

John R. Witt
Chief Financial Officer
11th March 2015

Directors' Profiles

Ben Keswick* Chairman and Managing Director

Mr Ben Keswick joined the Board as Managing Director in 2012 and became Chairman in 2013. He has held a number of executive positions since joining the Jardine Matheson group in 1998, including finance director and then chief executive officer of Jardine Pacific between 2003 and 2007 and, thereafter, group managing director of Jardine Cycle & Carriage until 2012. He has an MBA from INSEAD. Mr Keswick is chairman of Jardine Matheson Limited and Jardine Cycle & Carriage and a commissioner of Astra. He is also chairman and managing director of Dairy Farm and Mandarin Oriental, managing director of Jardine Matheson and Jardine Strategic, and a director of Jardine Pacific and Jardine Motors.

Y.K. Pang* Chief Executive

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

John R. Witt* Chief Financial Officer

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

Charles Allen-Jones

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

Mark Greenberg

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

Adam Keswick

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

Sir Henry Keswick

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

Simon Keswick

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

* Executive Director

Lord Leach of Fairford

Lord Leach has been a Director of the Group's holding company since 1985. He is deputy chairman of Jardine Lloyd Thompson, and a director of Dairy Farm, Jardine Matheson, Jardine Strategic and Mandarin Oriental. He is also a member of the supervisory board of Paris Orléans. He joined the Jardine Matheson group in 1983 after a career in banking.

Dr Richard Lee

Dr Lee joined the Board in 2003. Dr Lee's principal business interests are in the manufacturing of textiles and apparel in Southeast Asia, and he is the honorary chairman of TAL Apparel. He is also a director of Jardine Matheson and Mandarin Oriental.

Anthony Nightingale

Mr Nightingale joined the Board in 2006 and was Managing Director of the Company from 2006 to 2012. He is also a director of Dairy Farm, Jardine Cycle & Carriage, Jardine Matheson, Jardine Strategic, Mandarin Oriental, China Xintiandi, Prudential and Schindler, and a commissioner of Astra. Mr Nightingale also holds a number of senior public appointments, including acting as a non-official member of the Commission on Strategic Development, a Hong Kong representative to the Asia Pacific Economic Cooperation (APEC) Business Advisory Council and a member of the UK ASEAN Business Council Advisory Panel. He is chairman of The Sailors Home and Missions to Seamen in 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 Rt Hon John Major. He is a director of LVMH Moët Hennessy Louis Vuitton, Matheson & Co, Mandarin Oriental, Northern Trust Corporation and Textron Corporation. Previously president of the China-Britain Business Council and chairman of the Singapore-British Business Council, he is currently a British Business Ambassador. He is an independent member of the House of Lords.

Lord Sassoon, Kt

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

James Watkins

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

Percy Weatherall

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

Michael Wei Kuo Wu

Mr Wu joined the Board in 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, a council member of the Hong Kong University of Science and Technology and a member of the court of the University of Hong Kong.

Consolidated Profit and Loss Account

for the year ended 31st December 2014

	Note	2014 Underlying business performance US$m	2014 Non-trading items US$m	2014 Total US$m	2013 Underlying business performance US$m	2013 Non-trading items US$m	2013 Total US$m
Revenue	5	**1,876.3**	**–**	**1,876.3**	1,857.1	–	1,857.1
Net operating costs	6	**(809.0)**	**(1.1)**	**(810.1)**	(940.5)	–	(940.5)
		1,067.3	**(1.1)**	**1,066.2**	916.6	–	916.6
Change in fair value of investment properties	11	**–**	**15.9**	**15.9**	–	(81.9)	(81.9)
Asset impairment reversals	11	**–**	**9.2**	**9.2**	–	–	–
Operating profit		**1,067.3**	**24.0**	**1,091.3**	916.6	(81.9)	834.7
Net financing charges	7						
– financing charges		**(113.5)**	**–**	**(113.5)**	(106.2)	–	(106.2)
– financing income		**44.5**	**–**	**44.5**	42.2	–	42.2
		(69.0)	**–**	**(69.0)**	(64.0)	–	(64.0)
Share of results of associates and joint ventures	8						
– before change in fair value of investment properties		**122.8**	**0.1**	**122.9**	235.2	(0.1)	235.1
– change in fair value of investment properties	11	**–**	**392.2**	**392.2**	–	351.4	351.4
		122.8	**392.3**	**515.1**	235.2	351.3	586.5
Profit before tax		**1,121.1**	**416.3**	**1,537.4**	1,087.8	269.4	1,357.2
Tax	9	**(187.9)**	**(7.8)**	**(195.7)**	(149.0)	(8.1)	(157.1)
Profit after tax		**933.2**	**408.5**	**1,341.7**	938.8	261.3	1,200.1
Attributable to:							
Shareholders of the Company		**929.9**	**397.5**	**1,327.4**	934.8	254.8	1,189.6
Non-controlling interests		**3.3**	**11.0**	**14.3**	4.0	6.5	10.5
		933.2	**408.5**	**1,341.7**	938.8	261.3	1,200.1

	Note	2014 Underlying US¢	2014 Total US¢	2013 Underlying US¢	2013 Total US¢
Earnings per share	10	**39.52**	**56.42**	39.73	50.56

Consolidated Statement of Comprehensive Income

for the year ended 31st December 2014

	Note	2014 US$m	2013 US$m
Profit for the year		**1,341.7**	1,200.1
Other comprehensive income/(expense)			
Items that will not be reclassified to profit or loss:			
Remeasurements of defined benefit plans		**(2.5)**	3.4
Tax on items that will not be reclassified	9	**0.4**	(0.6)
		(2.1)	2.8
Items that may be reclassified subsequently to profit or loss:			
Net exchange translation differences		**(119.2)**	(10.9)
Revaluation of other investments		**(4.5)**	(23.0)
Cash flow hedges			
– net gain arising during the year		**21.1**	3.9
– transfer to profit and loss		**(0.8)**	1.4
		20.3	5.3
Tax relating to items that may be reclassified	9	**(3.5)**	(0.6)
Share of other comprehensive expense of associates and joint ventures		**(106.5)**	(51.9)
		(213.4)	(81.1)
Other comprehensive expense for the year, net of tax		**(215.5)**	(78.3)
Total comprehensive income for the year		**1,126.2**	1,121.8
Attributable to:			
Shareholders of the Company		**1,113.3**	1,109.3
Non-controlling interests		**12.9**	12.5
		1,126.2	1,121.8

Consolidated Balance Sheet

at 31st December 2014

	Note	2014 US$m	2013 US$m
Net operating assets			
Leasehold land		**7.6**	7.4
Tangible fixed assets		**16.6**	11.8
Investment properties	*12*	**23,697.3**	23,583.0
Associates and joint ventures	*13*	**4,904.1**	4,930.4
Other investments	*14*	**53.0**	57.5
Non-current debtors	*15*	**54.9**	25.2
Deferred tax assets	*16*	**3.7**	5.5
Pension assets		**4.7**	8.0
Non-current assets		**28,741.9**	28,628.8
Properties for sale	*17*	**2,923.1**	2,670.2
Current debtors	*15*	**292.2**	273.7
Current tax assets		**12.7**	16.9
Bank balances	*18*	**1,662.6**	1,406.3
Current assets		**4,890.6**	4,367.1
Current creditors	*19*	**(1,441.7)**	(1,408.9)
Current borrowings	*20*	**(288.6)**	(712.1)
Current tax liabilities		**(101.9)**	(71.3)
Current liabilities		**(1,832.2)**	(2,192.3)
Net current assets		**3,058.4**	2,174.8
Long-term borrowings	*20*	**(4,031.0)**	(3,719.4)
Deferred tax liabilities	*16*	**(110.8)**	(83.1)
Non-current creditors	*19*	**(60.1)**	(102.0)
		27,598.4	26,899.1
Total equity			
Share capital	*21*	**235.3**	235.3
Revenue and other reserves		**27,312.8**	26,621.7
Shareholders' funds		**27,548.1**	26,857.0
Non-controlling interests		**50.3**	42.1
		27,598.4	26,899.1

Approved by the Board of Directors on 11th March 2015

Ben Keswick
Y.K. Pang
Directors

Consolidated Statement of Changes in Equity

for the year ended 31st December 2014

	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
2014									
At 1st January		**235.3**	**370.0**	**25,753.3**	**(0.4)**	**498.8**	**26,857.0**	**42.1**	**26,899.1**
Total comprehensive income		**–**	**–**	**1,320.8**	**17.9**	**(225.4)**	**1,113.3**	**12.9**	**1,126.2**
Dividends paid by the Company	22	**–**	**–**	**(423.5)**	**–**	**–**	**(423.5)**	**–**	**(423.5)**
Dividends paid to non-controlling shareholders		**–**	**–**	**–**	**–**	**–**	**–**	**(4.7)**	**(4.7)**
Unclaimed dividends forfeited		**–**	**–**	**1.3**	**–**	**–**	**1.3**	**–**	**1.3**
At 31st December		**235.3**	**370.0**	**26,651.9**	**17.5**	**273.4**	**27,548.1**	**50.3**	**27,598.4**
2013									
At 1st January		235.3	370.0	24,983.9	(5.9)	564.4	26,147.7	36.7	26,184.4
Total comprehensive income		–	–	1,169.4	5.5	(65.6)	1,109.3	12.5	1,121.8
Dividends paid by the Company	22	–	–	(400.0)	–	–	(400.0)	–	(400.0)
Dividends paid to non-controlling shareholders		–	–	–	–	–	–	(7.1)	(7.1)
At 31st December		235.3	370.0	25,753.3	(0.4)	498.8	26,857.0	42.1	26,899.1

Total comprehensive income included in revenue reserves mainly comprises profit attributable to shareholders of the Company of US$1,327.4 million (2013: US$1,189.6 million) and a fair value loss on other investments of US$4.5 million (2013: US$23.0 million). The cumulative fair value gain on other investments amounted to US$15.2 million (2013: US$19.7 million).

Consolidated Cash Flow Statement

for the year ended 31st December 2014

	Note	2014 US$m	2013 US$m
Operating activities			
Operating profit		**1,091.3**	834.7
Depreciation	6	**2.4**	2.4
Reversal of writedowns on properties for sale	6	**(55.6)**	(12.4)
Change in fair value of investment properties	12	**(15.9)**	81.9
Asset impairment reversals		**(9.2)**	–
Increase in properties for sale	23a	**(310.5)**	(159.7)
Increase in debtors		**(28.6)**	(19.2)
Increase in creditors		**88.2**	245.2
Interest received		**50.7**	39.7
Interest and other financing charges paid		**(132.0)**	(116.7)
Tax paid		**(134.3)**	(139.1)
Dividends from associates and joint ventures		**152.5**	151.1
Cash flows from operating activities		**699.0**	907.9
Investing activities			
Major renovations expenditure		**(37.8)**	(40.2)
Developments capital expenditure	23b	**(136.6)**	(134.0)
Investments in and loans to associates and joint ventures	23c	**262.6**	(317.5)
Refund of deposit for joint ventures		**–**	114.1
Cash flows from investing activities		**88.2**	(377.6)
Financing activities			
Drawdown of borrowings		**1,216.9**	1,136.3
Repayment of borrowings		**(1,307.5)**	(849.5)
Contribution from non-controlling shareholders		**–**	1.1
Dividends paid by the Company		**(421.1)**	(397.4)
Dividends paid to non-controlling shareholders		**(4.7)**	(7.1)
Cash flows from financing activities		**(516.4)**	(116.6)
Effect of exchange rate changes		**(14.5)**	7.6
Net increase in cash and cash equivalents		**256.3**	421.3
Cash and cash equivalents at 1st January		**1,402.3**	981.0
Cash and cash equivalents at 31st December	23d	**1,658.6**	1,402.3

Notes to the Financial Statements

1 Principal Accounting Policies

Basis of preparation

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

Amendments and interpretation effective in 2014 which are relevant to the Group's operations

Amendments to IAS 32	Offsetting Financial Assets and Financial Liabilities
Amendments to IAS 36	Recoverable Amount Disclosures for Non-Financial Assets
Amendments to IAS 39	Novation of Derivatives and Continuation of Hedge Accounting
IFRIC 21	Levies

The adoption of these amendments and interpretation does not have a material impact on the Group's accounting policies and disclosures.

Amendments to IAS 32 'Offsetting Financial Assets and Financial Liabilities' are made to the application guidance in IAS 32 and clarify some of the requirements for offsetting financial assets and financial liabilities on the balance sheet. Specifically, the amendments clarify the meaning of 'currently has a legally enforceable right of offset' and 'simultaneous realisation and settlement'.

Amendments to IAS 36 'Recoverable Amount Disclosures for Non-Financial Assets' set out the changes to the disclosures when recoverable amount is determined based on fair value less costs of disposal. The key amendments are (a) to remove the requirement to disclose recoverable amount when a cash generating unit (CGU) contains goodwill or indefinite lived intangible assets but there has been no impairment, (b) to require disclosure of the recoverable amount of an asset or CGU when an impairment loss has been recognised or reversed, and (c) to require detailed disclosure of how the fair value less costs of disposal has been measured when an impairment loss has been recognised or reversed.

Amendments to IAS 39 'Novation of Derivatives and Continuation of Hedge Accounting' provide relief from discontinuing hedge accounting when novation of a hedging instrument to a central counterparty meets specified criteria.

IFRIC 21 'Levies' sets out the accounting for an obligation to pay a levy that is not income tax. The interpretation clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy.

The following standards and amendments which are effective after 2014, are relevant to the Group's operations and yet to be adopted

		Effective for accounting periods beginning on or after
IFRS 9	Financial Instruments	1st January 2018
IFRS 15	Revenue from Contracts with Customers	1st January 2017
Amendments to IAS 1	Presentation of Financial Statements	1st January 2016
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	1st January 2016
Amendments to IFRS 11	Accounting for Acquisitions of Interests in Joint Operations	1st January 2016
Amendments to IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation	1st January 2016
Amendments to IAS 19	Defined Benefit Plans: Employee Contributions	1st July 2014
Annual Improvements to IFRSs	2010 – 2012 Cycle	1st July 2014
	2011 – 2013 Cycle	1st July 2014
	2012 – 2014 Cycle	1st January 2016

1 Principal Accounting Policies continued

Basis of preparation continued

The Group is currently assessing the impact of these new standards and amendments. The Group will adopt these new standards and amendments from their respective effective dates.

A complete set of IFRS 9 'Financial Instruments' has been published which replaces IAS 39 'Financial Instruments: Recognition and Measurement'. This complete version includes new guidance on the classification and measurement of financial assets and liabilities. It also includes an expected credit losses model that replaces the incurred loss impairment model used today. A substantially-reformed approach to hedging accounting is also introduced.

There are three categories for financial assets under IFRS 9: amortised cost, fair value through other comprehensive income and fair value through profit or loss. The measurement principles of each category are similar to the current requirements under IAS 39. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Classification determines how financial assets and financial liabilities are accounted for in financial statements and, in particular, how they are measured on an ongoing basis.

IFRS 9 introduces a new expected-loss impairment model which replaces the 'incurred loss' model in IAS 39. A loss event will no longer need to occur before an impairment allowance is recognised. In practice, the new rules mean that entities will have to record a day one loss equal to the 12-month expected credit loss on initial recognition of financial assets that are not credit impaired (or lifetime expected credit loss for trade receivables). IFRS 9 contains a 'three stage' approach which is based on the change in credit quality of financial assets since initial recognition. Assets move through the three stages as credit quality changes and the stages dictate how an entity measures impairment losses and applies the effective interest rate method.

Where there has been a significant increase in credit risk, impairment is measured using lifetime expected credit loss rather than 12-month expected credit loss. The model also applies to certain loan commitments and financial guarantees, and includes operational simplifications for lease and trade receivables.

IFRS 9 introduces a substantially-reformed model for hedge accounting that aligns the accounting treatment with risk management activities, enabling entities to better reflect in their financial statements how they manage risks associated with financial instruments. Additional disclosures about risk management activity and the effect of hedge accounting on the financial statements are required.

IFRS 15 'Revenue from Contracts with Customers' is a new standard which contains a single model that applies to contracts with customers and two approaches to recognising revenue, that is at a point in time or over time. IFRS 15 replaces IAS 11 'Construction Contracts', IAS 18 'Revenue', IFRIC 13 'Customer Loyalty Programmes', IFRIC 15 'Agreements for the Construction of Real Estate', IFRIC 18 'Transfers of Assets from Customers' and SIC-31 'Revenue – Barter Transactions Involving Advertising Services'.

The core principle of IFRS 15 is for companies to recognise revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration (that is, payment) to which the company expects to be entitled in exchange for those goods or services. The new standard will also result in new disclosure requirements on revenue, provide guidance for transactions that were not previously addressed comprehensively (for example, service revenue and contract modifications) and improve guidance for multiple-element arrangements.

Amendments to IAS 1 'Presentation of Financial Statements' are part of the International Accounting Standards Board's initiatives to improve the effectiveness of disclosure in financial reporting. Amendments to IAS 1 clarify that companies shall apply professional judgments in determining what information to disclose and how to structure it in the financial statements. The amendments include narrow-focus improvements in the guidance on materiality, disaggregation and subtotals, note structure, disclosure of accounting policies and presentation of items of other comprehensive income arising from equity accounted investments.

Amendments to IFRS 10 'Consolidated Financial Statements' and IAS 28 'Investments in Associates and Joint Ventures' clarify the accounting treatment for sales or contribution of assets between an investor and its associates or joint ventures. The accounting treatment depends on whether the non-monetary assets sold or contributed to an associate or joint venture constitute a 'business'. Full gain or loss will be recognised by the investor where the non-monetary assets constitute a 'business'. If the assets do not meet the definition of a business, the gain or loss is recognised by the investor to the extent of the other investors' interests.

1 Principal Accounting Policies continued

Basis of preparation continued

Amendments to IFRS 11 'Joint Arrangements' introduce new guidance on the accounting for the acquisition of an interest in a joint operation that constitutes a business. Acquirers of such interests shall apply all of the principles on business combinations accounting in IFRS 3 'Business Combinations', and other IFRSs, that do not conflict with the guidance in IFRS 11 and disclose the information that is required in those IFRSs in relation to business combinations.

Amendments to IAS 16 'Property, Plant and Equipment' and IAS 38 'Intangible Assets' clarify that the use of revenue-based methods to calculate the depreciation or amortisation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. The amendments to IAS 38 further clarify that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. This presumption however, can be rebutted in certain limited circumstances.

Amendments to IAS 19 'Employee Benefits' regarding defined benefit plans apply to contributions from employees or third parties to defined benefit plans. The objective of the amendments is to simplify the accounting for contributions that are independent of the number of years of employee service, for example, employee contributions that are calculated according to a fixed percentage of salary.

Annual Improvements to IFRSs 2010 – 2012 Cycle, 2011 – 2013 Cycle and 2012 – 2014 Cycle comprise a number of non-urgent but necessary amendments. None of these amendments is likely to have a significant impact on the consolidated financial statements of the Group.

The principal operating subsidiaries, associates and joint ventures have different functional currencies in line with the economic environments of the locations in which they operate. The functional currency of the Company is United States dollars. The consolidated financial statements are presented in United States dollars.

The Group's reportable segments are set out in Note 4.

Basis of consolidation

i) The consolidated financial statements include the financial statements of the Company, its subsidiaries, and the Group's interests in associates and joint ventures.

ii) 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 include 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 recognised the resulting gain or loss in profit and loss. Changes in a parent's ownership interest in a subsidiary that do not result in the loss of control are accounted for as equity transactions. When control over a previous subsidiary is lost, any remaining interest in the entity is remeasured at fair value and the resulting gain or loss is recognised in profit and loss.

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

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.

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

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

Impairment of non-financial assets

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

Goodwill

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

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

Leasehold land

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

1 Principal Accounting Policies continued

Tangible fixed assets and depreciation

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

Furniture, equipment and motor vehicles	3 – 10 years

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

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

Investment properties

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

Investments

i) Investments are classified by management as available for sale or held to maturity on initial recognition. Available-for-sale investments are shown at fair value. Gains and losses arising from changes in the fair value are recognised in other comprehensive income and accumulated in equity. On the disposal of an investment or when an investment is determined to be impaired, the cumulative gain or loss previously deferred in equity is recognised in profit and loss. Held-to-maturity investments are shown at amortised cost. Investments are classified under non-current assets unless they are expected to be realised within 12 months after the balance sheet date.

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

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

Leases

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

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

Properties for sale

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

Debtors

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

Debtors with maturities greater than 12 months after the balance sheet date are classified under non-current assets.

1 Principal Accounting Policies continued

Cash and cash equivalents

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

Provisions

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

Borrowings and borrowing costs

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

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

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

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.

1 Principal Accounting Policies continued

Non-current assets held for sale

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

Derivative financial instruments

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

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

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

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

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

The fair value of derivatives which are designated and qualify as effective hedges are classified as non-current assets or liabilities if the remaining maturities of the hedged assets or liabilities are greater than 12 months after the balance sheet date.

Offsetting financial instruments

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

Non-trading items

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

1 Principal Accounting Policies continued

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

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

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

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

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

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

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

Pre-operating costs

Pre-operating costs are expensed as they are incurred.

2 Financial Risk Management

Financial risk factors

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

The Group's treasury function co-ordinates, under the directions of the board of Hongkong Land Limited, financial risk management policies and their implementation on a group-wide basis. The Group's treasury policies are designed to manage the financial impact of fluctuations in interest rates and foreign exchange rates and to minimise the Group's financial risks. The Group uses derivative financial instruments, principally interest rate swaps, cross-currency swaps and forward foreign exchange contracts as appropriate for hedging transactions and managing the Group's assets and liabilities in accordance with the Group's financial risk management policies. Financial derivative contracts are executed between third party banks and the Group entity that is directly exposed to the risk being hedged. Certain derivative transactions, while providing effective economic hedges under the Group's risk management policies, do not qualify for hedge accounting under the specific rules in IAS 39. Changes in the fair value of any derivative instruments that do not qualify for hedge accounting under IAS 39 are recognised immediately in profit and loss account. It is the Group's policy not to enter into derivative transactions for speculative purposes. The notional amounts and fair values of derivative financial instruments at 31st December 2014 are disclosed in Note 24.

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.

2 Financial Risk Management continued

Financial risk factors continued

i) Market risk continued

Foreign exchange risk continued

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 2014, there are no significant monetary balances held by group companies that are denominated in a non-functional currency other than the cross-currency swap contracts with contract amounts of US$1,650 million (2013: US$1,756 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 2014, the Group's interest rate hedge was 57% (2013: 53%) with an average tenor of nine years (2013: nine years). The interest rate profile of the Group's borrowings after taking into account hedging transactions are set out in Note 20.

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

Fair value interest rate risk is the risk that the value of a financial asset or liability and derivative financial instrument will fluctuate because of changes in market interest rates. The Group manages its fair value interest rate risk by entering into interest rate swaps which have the economic effect of converting borrowings from fixed rate to floating rate, to maintain the Group's fixed rate instruments to within the Group's guideline.

At 31st December 2014, 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$10 million (2013: US$10 million) higher/lower and hedging reserve would have been US$78 million (2013: US$66 million) higher/lower, as a result of fair value changes to cash flow hedges. The sensitivity analysis has been determined assuming that the change in interest rates had occurred at the balance sheet date and had been applied to the exposure to interest rate risk for both derivative and non-derivative financial instruments in existence at that date. The 100 basis point increase or decrease represents management's assessment of a reasonably possible change in those interest rates which have the most impact on the Group, specifically the United States, Hong Kong and Singapore rates, over the period until the next annual balance sheet date. In the case of effective fair value hedges, changes in fair value of the hedged item caused by interest rate movements balance out in profit and loss account against changes in the fair value of the hedging instruments. Changes in market interest rates affect the interest income or expense of non-derivative variable-interest financial instruments, the interest payments of which are not designated as hedged items of cash flow hedges against interest rate risks. As a consequence, they are included in the calculation of profit after tax sensitivities. Changes in the market interest rate of financial instruments that were designated as hedging instruments in a cash flow hedge to hedge payment fluctuations resulting from interest rate movements affect the hedging reserves and are therefore taken into consideration in the equity-related sensitivity calculations.

2 Financial Risk Management continued

Financial risk factors continued

i) Market risk continued

Price risk

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

Available-for-sale investments are unhedged. At 31st December 2014, if the price of listed available-for-sale investments had been 25% higher/lower with all other variables held constant, total equity would have been US$13 million (2013: US$14 million) higher/lower unless impaired. The sensitivity analysis has been determined based on a reasonable expectation of possible valuation volatility over the next 12 months.

ii) Credit risk

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

The Group manages its deposits with banks and financial institutions and transactions involving derivative financial instruments by monitoring credit ratings and capital adequacy ratios of counterparties, and limiting the aggregate risk to any individual counterparty. The utilisation of credit limits is regularly monitored. At 31st December 2014, 96% (2013: 93%) of deposits and balances with banks and financial institutions were made to institutions with credit ratings of no less than A3 and 4% (2013: 7%) with credit rating at Baa3 (Moody's). Similarly transactions involving derivative financial instruments are with banks with sound credit ratings and capital adequacy ratios. In developing countries it may be necessary to deposit money with banks that have a lower credit rating, however the Group only enters into derivative transactions with counterparties which have credit ratings of at least investment grade. Management does not expect any counterparty to fail to meet its obligations.

In respect of credit exposures to customers, the Group has policies in place to ensure that investment properties are let principally to corporate companies with appropriate credit history, and rental deposits in the form of cash or bank guarantee are usually received from tenants. The Group receives progress payments from sales of residential properties to individual customers prior to the completion of transactions. In the event of default by customers, the Group undertakes legal proceedings to recover the property. Amounts due from associates and joint ventures are generally supported by the underlying assets.

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

iii) Liquidity risk

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

At 31st December 2014, total committed and uncommitted borrowing facilities amounted to US$7,358 million (2013: US$7,262 million) of which US$4,320 million (2013: US$4,431 million) was drawn down. Undrawn committed facilities, in the form of revolving credit and term loan facilities, totalled US$2,888 million (2013: US$2,676 million).

2 Financial Risk Management continued

Financial risk factors continued

iii) Liquidity risk continued

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 flow US$m
2014							
Borrowings	**438.4**	**493.0**	**344.7**	**515.0**	**438.6**	**3,317.8**	**5,547.5**
Trade and other creditors	**419.5**	**100.6**	**6.7**	**0.2**	**0.2**	**31.9**	**559.1**
Tenants' deposits	**55.0**	**46.8**	**55.2**	**22.1**	**12.8**	**12.3**	**204.2**
Gross settled derivative financial instruments							
– inflow	**419.7**	**74.0**	**74.0**	**74.0**	**150.8**	**1,857.7**	**2,650.2**
– outflow	**(418.8)**	**(60.1)**	**(60.1)**	**(60.1)**	**(141.1)**	**(1,814.8)**	**(2,555.0)**
2013							
Borrowings	842.2	446.6	528.2	447.6	366.4	2,980.4	5,611.4
Trade and other creditors	522.1	19.4	2.6	0.7	–	30.4	575.2
Tenants' deposits	47.2	48.7	41.0	23.0	17.7	16.8	194.4
Net settled derivative financial instruments	1.7	–	–	–	–	–	1.7
Gross settled derivative financial instruments							
– inflow	562.1	53.2	53.2	53.3	53.3	1,499.2	2,274.3
– outflow	(549.1)	(44.4)	(44.4)	(44.4)	(44.4)	(1,475.1)	(2,201.8)

Capital management

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

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

The Group monitors capital on the basis of the Group's consolidated gearing ratio and consolidated interest cover. The gearing ratio is calculated as net debt divided by total equity. Net debt is calculated as total borrowings less bank balances. Interest cover is calculated as underlying operating profit 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 2014 and 2013 are as follows:

	2014	2013
Gearing ratio (%)	**10**	11
Interest cover (times)	**13**	12

2 Financial Risk Management continued

Fair value estimation

i) Financial instruments that are measured at fair value

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

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

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

There were no changes in valuation techniques during the year.

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

	Quoted prices in active markets US$m	Observable current market transactions US$m	Total US$m
2014			
Assets			
Available-for-sale financial assets			
– listed securities	**53.0**	**–**	**53.0**
Derivative designated at fair value			
– through other comprehensive income	**–**	**20.9**	**20.9**
– through profit and loss	**–**	**19.7**	**19.7**
	53.0	**40.6**	**93.6**
Liabilities			
Derivative designated at fair value			
– through other comprehensive income	**–**	**(17.5)**	**(17.5)**
– through profit and loss	**–**	**(9.7)**	**(9.7)**
	–	**(27.2)**	**(27.2)**
2013			
Assets			
Available-for-sale financial assets			
– listed securities	57.5	–	57.5
Derivative designated at fair value			
– through other comprehensive income	–	6.7	6.7
– through profit and loss	–	8.6	8.6
	57.5	15.3	72.8
Liabilities			
Derivative designated at fair value			
– through other comprehensive income	–	(14.5)	(14.5)
– through profit and loss	–	(34.4)	(34.4)
	–	(48.9)	(48.9)

There were no transfers among the two categories during the year ended 31st December 2014.

2 Financial Risk Management continued

Fair value estimation continued

ii) Financial instruments that are not measured at fair value

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

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

Financial instruments by category

The fair values of financial assets and financial liabilities, together with carrying amounts as at 31st December 2014 and 2013 are as follows:

	Loans and receivables US$m	Derivatives used for hedging US$m	Available-for-sale US$m	Other financial instruments at amortised cost US$m	Other financial instruments at fair value through profit and loss US$m	Total carrying amount US$m	Fair value US$m
2014							
Assets							
Other investments	**–**	**–**	**53.0**	**–**	**–**	**53.0**	**53.0**
Debtors	**149.0**	**40.6**	**–**	**–**	**12.1**	**201.7**	**201.7**
Bank balances	**1,662.6**	**–**	**–**	**–**	**–**	**1,662.6**	**1,662.6**
	1,811.6	**40.6**	**53.0**	**–**	**12.1**	**1,917.3**	**1,917.3**
Liabilities							
Borrowings	**–**	**–**	**–**	**(4,319.6)**	**–**	**(4,319.6)**	**(4,394.9)**
Creditors	**–**	**(27.2)**	**–**	**(763.3)**	**–**	**(790.5)**	**(790.5)**
	–	**(27.2)**	**–**	**(5,082.9)**	**–**	**(5,110.1)**	**(5,185.4)**
2013							
Assets							
Other investments	–	–	57.5	–	–	57.5	57.5
Debtors	143.1	15.3	–	–	14.1	172.5	172.5
Bank balances	1,406.3	–	–	–	–	1,406.3	1,406.3
	1,549.4	15.3	57.5	–	14.1	1,636.3	1,636.3
Liabilities							
Borrowings	–	–	–	(4,431.5)	–	(4,431.5)	(4,348.1)
Creditors	–	(48.9)	–	(769.6)	–	(818.5)	(818.5)
	–	(48.9)	–	(5,201.1)	–	(5,250.0)	(5,166.6)

3 Critical Accounting Estimates and Judgements

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

Acquisition of subsidiaries, associates and joint ventures

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

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

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 and Singapore, capitalisation rates in the range of 3.50% to 4.45% for office (2013: 3.50% to 4.45%) and 4.50% to 5.50% for retail (2013: 4.50% to 5.50%) are used in the fair value determination.

Considerations have been given to assumptions that are mainly based on market conditions existing at the balance sheet date and appropriate capitalisation rates. These estimates are regularly compared to actual market data and actual transactions entered into by the Group.

Impairment of assets

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

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

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 applicable tax rate.

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

3 Critical Accounting Estimates and Judgements continued

Non-trading items

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

4 Segmental Information

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

	2014				2013			
	Commercial Property US$m	**Residential Property US$m**	**Corporate US$m**	**Total US$m**	Commercial Property US$m	Residential Property US$m	Corporate US$m	Total US$m
Revenue	**961.3**	**915.0**	**–**	**1,876.3**	925.3	931.8	–	1,857.1
Net operating costs	**(160.6)**	**(586.1)**	**(62.3)**	**(809.0)**	(149.4)	(730.7)	(60.4)	(940.5)
Share of operating profit of associates and joint ventures	**152.4**	**69.5**	**–**	**221.9**	138.0	212.0	–	350.0
Underlying operating profit	**953.1**	**398.4**	**(62.3)**	**1,289.2**	913.9	413.1	(60.4)	1,266.6
Net financing charges								
– subsidiaries				**(69.0)**				(64.0)
– share of associates and joint ventures				**(33.8)**				(38.8)
				(102.8)				(102.8)
Tax								
– subsidiaries				**(187.9)**				(149.0)
– share of associates and joint ventures				**(60.0)**				(75.5)
				(247.9)				(224.5)
Non-controlling interests								
– subsidiaries				**(3.3)**				(4.0)
– share of associates and joint ventures				**(5.3)**				(0.5)
				(8.6)				(4.5)
Underlying profit attributable to shareholders				**929.9**				934.8
Non-trading items:								
– change in fair value of investment properties				**389.3**				254.9
– asset impairment reversals/(disposals)				**9.3**				(0.1)
– net operating costs				**(1.1)**				–
				397.5				254.8
Profit attributable to shareholders				**1,327.4**				1,189.6

4 Segmental Information continued

	Revenue		Underlying operating profit		Underlying profit attributable to shareholders	
	2014	2013	**2014**	2013	**2014**	2013
	US$m	US$m	**US$m**	US$m	**US$m**	US$m
By geographical location						
Greater China	**1,375.4**	1,188.8	**1,049.4**	907.2	**1,038.4**	901.1
Southeast Asia and others	**500.9**	668.3	**302.1**	419.8	**300.8**	418.5
Corporate, net financing charges and tax	**–**	–	**(62.3)**	(60.4)	**(409.3)**	(384.8)
	1,876.3	1,857.1	**1,289.2**	1,266.6	**929.9**	934.8

	Segment assets					
	Investment properties US$m	Properties for sale US$m	Others US$m	Segment liabilities US$m	Unallocated assets and liabilities US$m	Total assets and liabilities US$m
By business						
2014						
Commercial Property	**27,883.2**	**–**	**290.1**	**(516.0)**	**–**	**27,657.3**
Residential Property	**287.5**	**4,294.9**	**639.0**	**(1,966.0)**	**–**	**3,255.4**
Unallocated assets and liabilities	**–**	**–**	**–**	**–**	**(3,314.3)**	**(3,314.3)**
	28,170.7	**4,294.9**	**929.1**	**(2,482.0)**	**(3,314.3)**	**27,598.4**
2013						
Commercial Property	27,466.1	–	305.6	(569.9)	–	27,201.8
Residential Property	283.5	3,916.8	699.1	(1,887.9)	–	3,011.5
Unallocated assets and liabilities	–	–	–	–	(3,314.2)	(3,314.2)
	27,749.6	3,916.8	1,004.7	(2,457.8)	(3,314.2)	26,899.1
By geographical location						
2014						
Greater China	**23,985.8**	**2,457.7**	**666.4**	**(1,608.0)**	**–**	**25,501.9**
Southeast Asia and others	**4,184.9**	**1,837.2**	**262.7**	**(874.0)**	**–**	**5,410.8**
Unallocated assets and liabilities	**–**	**–**	**–**	**–**	**(3,314.3)**	**(3,314.3)**
	28,170.7	**4,294.9**	**929.1**	**(2,482.0)**	**(3,314.3)**	**27,598.4**
2013						
Greater China	23,670.5	2,369.1	740.7	(1,677.0)	–	25,103.3
Southeast Asia and others	4,079.1	1,547.7	264.0	(780.8)	–	5,110.0
Unallocated assets and liabilities	–	–	–	–	(3,314.2)	(3,314.2)
	27,749.6	3,916.8	1,004.7	(2,457.8)	(3,314.2)	26,899.1

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

5 Revenue

	2014 US$m	2013 US$m
Rental income	**842.5**	811.3
Service income	**123.9**	119.7
Sales of properties	**909.9**	926.1
	1,876.3	1,857.1

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

Total contingent rents included in rental income amounted to US$14.4 million (2013: US$14.9 million).

	2014 US$m	2013 US$m
The future minimum rental payments receivable under non-cancellable leases are as follows:		
Within one year	**718.5**	710.6
Between one and two years	**518.5**	467.2
Between two and five years	**469.5**	429.0
Beyond five years	**96.8**	64.0
	1,803.3	1,670.8

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

6 Net Operating Costs

	2014 US$m	2013 US$m
Cost of sales	**(718.6)**	(858.1)
Other income	**13.6**	11.3
Administrative expenses	**(105.1)**	(93.7)
	(810.1)	(940.5)
The following credits/(charges) are included in net operating costs:		
Cost of properties for sale recognised as expense	**(614.8)**	(719.3)
Operating expenses arising from investment properties	**(159.4)**	(151.2)
Reversal of writedowns on properties for sale	**55.6**	12.4
Depreciation of tangible fixed assets	**(2.4)**	(2.4)
Employee benefit expense		
– salaries and benefits in kind	**(102.2)**	(92.7)
– defined contribution pension plans	**(1.0)**	(3.2)
– defined benefit pension plans	**(1.6)**	(1.2)
	(104.8)	(97.1)
Auditors' remuneration		
– audit	**(1.5)**	(1.5)
– non-audit services	**(0.2)**	(0.4)
	(1.7)	(1.9)

The number of employees at 31st December 2014 was 1,435 (2013: 1,405).

7 Net Financing Charges

	2014 US$m	2013 US$m
Interest expenses		
– bank loans and overdrafts	**(18.0)**	(19.0)
– other borrowings	**(116.7)**	(97.6)
Total interest expenses	**(134.7)**	(116.6)
Interest capitalised	**30.9**	24.5
	(103.8)	(92.1)
Commitment and other fees	**(9.7)**	(14.1)
Financing charges	**(113.5)**	(106.2)
Financing income	**44.5**	42.2
	(69.0)	(64.0)

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

8 Share of Results of Associates and Joint Ventures

	2014 US$m	2013 US$m
By business		
Commercial Property	**98.0**	91.4
Residential Property	**24.8**	143.8
Underlying business performance	**122.8**	235.2
Non-trading items:		
Change in fair value of investment properties		
– Commercial Property	**390.8**	346.7
– Residential Property	**1.4**	4.7
	392.2	351.4
Asset disposals	**0.1**	(0.1)
	392.3	351.3
	515.1	586.5

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$590.6 million (2013: US$707.5 million). In 2014, the Group's share of results of Residential Property joint ventures included a provision of US$37.5 million (2013: Nil).

9 Tax

Tax charged to profit and loss is analysed as follows:

	2014 US$m	2013 US$m
Current tax	**(169.0)**	(141.8)
Deferred tax		
– changes in fair value of investment properties	**(7.8)**	(8.1)
– other temporary differences	**(18.9)**	(7.2)
	(26.7)	(15.3)
	(195.7)	(157.1)

Reconciliation between tax expense and tax at applicable tax rate:

	2014 US$m	2013 US$m
Tax at applicable tax rate	**(185.0)**	(134.5)
Change in fair value of investment properties not deductible in determining taxable profit	**(4.9)**	(21.4)
Asset impairment reversals not taxable in determining taxable profit	**1.5**	–
Income not subject to tax	**23.4**	14.9
Expenses not deductible in determining taxable profit	**(7.4)**	(7.0)
Withholding tax	**(8.2)**	(1.2)
Over/(under)provision in prior years	**5.0**	(4.0)
Land appreciation tax in mainland China	**(21.5)**	(5.0)
Others	**1.4**	1.1
	(195.7)	(157.1)

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

	2014 US$m	2013 US$m
Remeasurements of defined benefit plans	**0.4**	(0.6)
Cash flow hedges	**(3.5)**	(0.6)
	(3.1)	(1.2)

The applicable tax rate for the year of 17.7% (2013: 16.9%) represents the weighted average of the rates of taxation prevailing in the territories in which the Group operates. The increase in the applicable tax rate was caused by a change in the geographic mix of the Group's profits.

The Group has no tax payable in the United Kingdom (2013: Nil).

Share of tax charge of associates and joint ventures of US$86.0 million (2013: US$111.3 million) is included in share of results of associates and joint ventures.

10 Earnings per Share

Earnings per share are calculated on profit attributable to shareholders of US$1,327.4 million (2013: US$1,189.6 million) and on the weighted average number of 2,352.8 million (2013: 2,352.8 million) shares in issue during the year.

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

	2014		2013	
	US$m	**Earnings per share US¢**	US$m	Earnings per share US¢
Underlying profit attributable to shareholders	**929.9**	**39.52**	934.8	39.73
Non-trading items (see Note 11)	**397.5**		254.8	
Profit attributable to shareholders	**1,327.4**	**56.42**	1,189.6	50.56

11 Non-trading Items

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

	2014 US$m	2013 US$m
Change in fair value of investment properties	**15.9**	(81.9)
Deferred tax on change in fair value of investment properties	**(7.8)**	(8.1)
Asset impairment reversals	**9.2**	–
Expenses relating to transfer of listing segment of the Company's shares	**(1.1)**	–
Share of results of associates and joint ventures		
– change in fair value of investment properties	**418.1**	387.2
– deferred tax	**(25.9)**	(35.8)
	392.2	351.4
– asset disposals	**0.2**	(0.1)
– current tax	**(0.1)**	–
	0.1	(0.1)
	392.3	351.3
Non-controlling interests	**(11.0)**	(6.5)
	397.5	254.8

12 Investment Properties

	Completed commercial properties US$m	Under development commercial properties US$m	Completed residential properties US$m	Total US$m
2014				
At 1st January	**22,802.0**	**642.6**	**138.4**	**23,583.0**
Exchange differences	**(32.7)**	**(14.8)**	**(0.7)**	**(48.2)**
Additions	**24.8**	**120.0**	**1.8**	**146.6**
Increase in fair value	**3.6**	**6.9**	**5.4**	**15.9**
At 31st December	**22,797.7**	**754.7**	**144.9**	**23,697.3**
Freehold properties				**72.4**
Leasehold properties				**23,624.9**
				23,697.3
2013				
At 1st January	22,685.6	666.4	141.7	23,493.7
Exchange differences	(30.0)	15.3	(1.3)	(16.0)
Additions	46.7	139.5	1.0	187.2
Transfer	172.0	(172.0)	–	–
Decrease in fair value	(72.3)	(6.6)	(3.0)	(81.9)
At 31st December	22,802.0	642.6	138.4	23,583.0
Freehold properties				54.0
Leasehold properties				23,529.0
				23,583.0

The Group measures its investment properties at fair value. The fair values of the Group's investment properties at 31st December 2014 and 2013 have been determined on the basis of valuations carried out by independent valuers who hold a recognised relevant professional qualification and have recent experience in the locations and segments of the investment properties valued. The Group employed Jones Lang LaSalle to value its commercial investment properties in Hong Kong, mainland China, Singapore, Vietnam and Cambodia which are either freehold or held under leases with unexpired lease terms of more than 20 years. The valuations, which conform to the International Valuation Standards issued by the International Valuation Standards Council and the HKIS Valuation Standards issued by the Hong Kong Institute of Surveyors, were arrived at by reference to the net income, allowing for reversionary potential, of each property. The Report of the valuers is set out on page 77. The valuations are comprehensively reviewed by the Group.

Fair value measurements of residential properties using no significant non-observable 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.

12 Investment Properties continued

Fair value measurements of commercial properties using significant unobservable inputs

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

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

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

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

Information about fair value measurements using significant unobservable inputs at 31st December 2014:

			Range of significant unobservable inputs	
	Fair value US$m	Valuation method	Prevailing market rent per month US$	Capitalisation/ discount rate %
Completed properties				
Hong Kong	**22,159.2**	Income capitalisation	4.4 to 38.9 per square foot	3.65 to 5.50
Singapore	**585.3**	Income capitalisation	5.8 to 9.6 per square foot	3.50 to 5.50
Vietnam and Cambodia	**53.2**	Discounted cash flow	21.0 to 26.0 per square metre	15.00 to 16.00
Total	**22,797.7**			
Properties under development				
Mainland China	**714.2**	Residual	158.5 per square metre	5.25
Cambodia	**40.5**	Residual	35.0 to 86.0 per square metre	16.00
Total	**754.7**			

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.

13 Associates and Joint Ventures

	2014 US$m	2013 US$m
Unlisted associates	**45.7**	41.4
Unlisted joint ventures	**4,858.4**	4,889.0
Share of attributable net assets	**4,904.1**	4,930.4
By business		
Commercial Property	**3,525.0**	3,635.6
Residential Property	**1,379.1**	1,294.8
	4,904.1	4,930.4

	Associates		Joint ventures	
	2014 US$m	2013 US$m	**2014 US$m**	2013 US$m
Movements of associates and joint ventures during the year:				
At 1st January	**41.4**	45.2	**4,889.0**	4,225.2
Exchange differences	**(0.4)**	(0.8)	**(22.5)**	(37.2)
Share of results after tax and non-controlling interests	**7.8**	–	**507.3**	586.5
Share of other comprehensive income after tax and non-controlling interests	**(1.1)**	(0.6)	**(105.4)**	(51.3)
Dividends received and receivable	**(1.2)**	(1.7)	**(148.4)**	(151.2)
Investments in and loans to associates and joint ventures	**(0.8)**	(0.7)	**(260.4)**	318.2
Others	**–**	–	**(1.2)**	(1.2)
At 31st December	**45.7**	41.4	**4,858.4**	4,889.0

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 2014 and 2013:

Name of entity	Nature of business	Country of incorporation/ principal place of business	% of ownership interest 2014	2013
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

13 Associates and Joint Ventures continued

Summarised financial information for material joint ventures

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

Summarised balance sheet at 31st December

	Properties Sub F, Ltd US$m	BFC Development LLP US$m	Central Boulevard Development Pte Ltd US$m	One Raffles Quay Pte Ltd US$m
2014				
Non-current assets	**1,575.2**	**3,580.9**	**2,676.4**	**2,726.3**
Current assets				
Cash and cash equivalents	**38.3**	**28.6**	**55.2**	**11.2**
Other current assets	**58.6**	**11.8**	**70.1**	**2.1**
Total current assets	**96.9**	**40.4**	**125.3**	**13.3**
Non-current liabilities				
Financial liabilities (excluding trade payables)	**(53.7)**	**(1,291.0)**	**(1,213.9)**	**(786.6)**
Other non-current liabilities (including trade payables)	**(158.1)**	**–**	**(14.2)**	**(196.1)**
Total non-current liabilities	**(211.8)**	**(1,291.0)**	**(1,228.1)**	**(982.7)**
Current liabilities				
Financial liabilities (excluding trade payables)	**(0.8)**	**(2.9)**	**(6.2)**	**(11.2)**
Other current liabilities (including trade payables)	**(48.4)**	**(96.6)**	**(70.3)**	**(36.4)**
Total current liabilities	**(49.2)**	**(99.5)**	**(76.5)**	**(47.6)**
Net assets	**1,411.1**	**2,230.8**	**1,497.1**	**1,709.3**
2013				
Non-current assets	1,170.0	3,594.7	2,467.0	2,757.7
Current assets				
Cash and cash equivalents	29.0	12.3	116.8	17.5
Other current assets	110.9	14.3	142.0	1.3
Total current assets	139.9	26.6	258.8	18.8
Non-current liabilities				
Financial liabilities (excluding trade payables)	(91.2)	(1,330.5)	(1,274.5)	(823.3)
Other non-current liabilities (including trade payables)	(108.8)	–	(15.2)	(196.1)
Total non-current liabilities	(200.0)	(1,330.5)	(1,289.7)	(1,019.4)
Current liabilities				
Financial liabilities (excluding trade payables)	(3.1)	(1.3)	(7.3)	(5.8)
Other current liabilities (including trade payables)	(48.8)	(87.1)	(168.4)	(41.8)
Total current liabilities	(51.9)	(88.4)	(175.7)	(47.6)
Net assets	1,058.0	2,202.4	1,260.4	1,709.5

13 Associates and Joint Ventures continued

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

	Properties Sub F, Ltd US$m	BFC Development LLP US$m	Central Boulevard Development Pte Ltd US$m	One Raffles Quay Pte Ltd US$m
2014				
Revenue	**139.8**	**163.8**	**123.8**	**127.7**
Depreciation and amortisation	**(7.4)**	**(0.2)**	**(0.1)**	**–**
Interest income	**–**	**–**	**0.1**	**–**
Interest expense	**(2.6)**	**(46.8)**	**(21.4)**	**(22.3)**
Profit from underlying business performance	**85.2**	**82.9**	**70.3**	**72.2**
Income tax expense	**(10.1)**	**(12.9)**	**(10.8)**	**(12.3)**
Profit after tax from underlying business performance	**75.1**	**70.0**	**59.5**	**59.9**
Profit after tax from non-trading items	**362.0**	**136.1**	**356.1**	**74.6**
Profit after tax	**437.1**	**206.1**	**415.6**	**134.5**
Other comprehensive income	**(0.4)**	**(91.9)**	**(55.1)**	**(67.9)**
Total comprehensive income	**436.7**	**114.2**	**360.5**	**66.6**
Group's share of dividends received and receivable from joint ventures	**41.0**	**28.6**	**41.3**	**22.3**
2013				
Revenue	152.3	165.0	852.2	125.9
Depreciation and amortisation	(9.0)	(0.2)	(0.1)	(0.1)
Interest income	0.1	–	–	0.1
Interest expense	(4.0)	(47.8)	(25.4)	(22.6)
Profit from underlying business performance	94.5	76.4	390.6	71.6
Income tax (expense)/credit	(11.6)	9.2	(66.2)	(11.5)
Profit after tax from underlying business performance	82.9	85.6	324.4	60.1
Profit after tax from non-trading items	155.2	206.3	129.5	149.3
Profit after tax	238.1	291.9	453.9	209.4
Other comprehensive income	(0.3)	(70.3)	(35.0)	(52.6)
Total comprehensive income	237.8	221.6	418.9	156.8
Group's share of dividends received and receivable from joint ventures	–	30.0	61.8	24.0

The information above reflects 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.

13 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
2014				
Net assets	**1,411.1**	**2,230.8**	**1,497.1**	**1,709.3**
Shareholders' loans	**54.7**	**1,291.0**	**–**	**102.1**
Adjusted net assets	**1,465.8**	**3,521.8**	**1,497.1**	**1,811.4**
Interest in joint ventures (%)	**49.0**	**33.3**	**33.3**	**33.3**
Group's share of net assets in joint ventures	**718.2**	**1,173.9**	**499.1**	**603.8**
2013				
Net assets	1,058.0	2,202.4	1,260.4	1,709.5
Shareholders' loans	93.5	1,330.5	1,274.4	106.5
Adjusted net assets	1,151.5	3,532.9	2,534.8	1,816.0
Interest in joint ventures (%)	49.0	33.3	33.3	33.3
Group's share of net assets in joint ventures	564.2	1,177.6	844.9	605.4

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

	2014 **US$m**	2013 US$m
Share of profit	**41.0**	151.5
Share of other comprehensive (expense)/income	**(33.6)**	1.6
Share of total comprehensive income	**7.4**	153.1
Carrying amount of interests in these joint ventures	**1,863.4**	1,696.9

At 31st December 2014, the Group's commitments to provide funding to its joint ventures, if called, amounted to US$174.5 million (2013: US$395.3 million).

There were no contingent liabilities relating to the Group's interest in the joint ventures at 31st December 2014 and 2013.

14 Other Investments

	2014 US$m	2013 US$m
Available-for-sale financial assets		
– listed securities	**53.0**	57.5

15 Debtors

	2014 US$m	2013 US$m
Trade debtors	**84.1**	62.5
Other debtors		
– third parties	**226.6**	195.1
– associates and joint ventures	**36.4**	41.3
	347.1	298.9
Non-current	**54.9**	25.2
Current	**292.2**	273.7
	347.1	298.9
By geographical area of operation		
Greater China	**187.7**	163.1
Southeast Asia and others	**159.4**	135.8
	347.1	298.9

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

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

At 31st December 2014, trade debtors of US$6.4 million (2013: US$4.3 million) were past due but not impaired. The ageing analysis of these trade debtors is as follows:

	2014 US$m	2013 US$m
Below 30 days	**5.3**	3.9
Between 31 and 60 days	**0.4**	0.1
Between 61 and 90 days	**–**	0.1
Over 90 days	**0.7**	0.2
	6.4	4.3

The risk of trade and other debtors that are neither past due nor impaired at 31st December 2014 becoming impaired is low as they have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

15 Debtors continued

Other debtors are further analysed as follows:

	2014 US$m	2013 US$m
Prepayments	**145.4**	126.4
Derivative financial instruments	**40.6**	15.3
Amounts due from associates and joint ventures	**36.4**	41.3
Others	**40.6**	53.4
	263.0	236.4

Trade and other debtors excluding derivative financial instruments are stated at amortised cost.

16 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
2014					
At 1st January	**0.1**	**(60.0)**	**(9.5)**	**(8.2)**	**(77.6)**
Exchange differences	**–**	**–**	**0.1**	**0.2**	**0.3**
Credited/(charged) to profit and loss	**0.2**	**(4.5)**	**(7.8)**	**(14.6)**	**(26.7)**
Charged to other comprehensive income	**–**	**–**	**–**	**(3.1)**	**(3.1)**
At 31st December	**0.3**	**(64.5)**	**(17.2)**	**(25.7)**	**(107.1)**
Deferred tax assets	**0.3**	**–**	**–**	**3.4**	**3.7**
Deferred tax liabilities	**–**	**(64.5)**	**(17.2)**	**(29.1)**	**(110.8)**
	0.3	**(64.5)**	**(17.2)**	**(25.7)**	**(107.1)**
2013					
At 1st January	0.1	(54.3)	(1.3)	(5.7)	(61.2)
Exchange differences	–	–	(0.1)	0.2	0.1
Charged to profit and loss	–	(5.7)	(8.1)	(1.5)	(15.3)
Charged to other comprehensive income	–	–	–	(1.2)	(1.2)
At 31st December	0.1	(60.0)	(9.5)	(8.2)	(77.6)
Deferred tax assets	0.1	–	–	5.4	5.5
Deferred tax liabilities	–	(60.0)	(9.5)	(13.6)	(83.1)
	0.1	(60.0)	(9.5)	(8.2)	(77.6)

Deferred tax balances predominantly comprise non-current items. Deferred tax assets and liabilities are netted when the taxes relate to the same taxation authority and where offsetting is allowed.

Deferred tax assets of US$1.6 million (2013: US$2.4 million) arising from unused tax losses of US$7.8 million (2013: S$11.0 million) have not been recognised in the financial statements. Included in the unused tax losses, US$4.7 million (2013: US$4.6 million) have no expiry date and the balance will expire at various dates up to and including 2018 (2013: 2018).

17 Properties for Sale

	2014 US$m	2013 US$m
Properties under development	**2,734.8**	2,667.5
Provision for impairment	**(40.6)**	(97.2)
	2,694.2	2,570.3
Completed properties	**228.9**	99.9
	2,923.1	2,670.2

At 31st December 2014, properties under development which were not scheduled for completion within the next 12 months amounted to US$2,134.6 million (2013: US$1,889.8 million).

At 31st December 2014, properties for sale of US$732.0 million (2013: US$711.3 million) were pledged as security for borrowings of US$212.0 million (2013: US$229.9 million) as shown in Note 20.

18 Bank Balances

	2014 US$m	2013 US$m
Deposits with banks and financial institutions	**1,431.2**	1,274.8
Bank balances	**231.4**	131.5
	1,662.6	1,406.3

Deposits and bank balances of certain subsidiaries amounting to US$89.5 million (2013: US$130.0 million) are held under the Housing Developers (Project Account) Rules in Singapore, withdrawals from which are subject to the provision of these Rules.

The weighted average interest rate on deposits with banks and financial institutions is 0.9% (2013: 1.2%) per annum.

19 Creditors

	2014 US$m	2013 US$m
Trade creditors	**424.8**	428.1
Other creditors	**134.3**	147.1
Tenants' deposits	**204.2**	194.4
Derivative financial instruments	**27.2**	48.9
Rent received in advance	**14.6**	14.3
Proceeds from properties for sale received in advance	**696.7**	678.1
	1,501.8	1,510.9
Non-current	**60.1**	102.0
Current	**1,441.7**	1,408.9
	1,501.8	1,510.9
By geographical area of operation		
Greater China	**797.1**	914.2
Southeast Asia and others	**704.7**	596.7
	1,501.8	1,510.9

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.

20 Borrowings

	2014		2013	
	Carrying amount US$m	**Fair value US$m**	Carrying amount US$m	Fair value US$m
Current				
Bank overdrafts	**4.0**	**4.0**	4.0	4.0
Current portion of long-term borrowings				
– bank loans	**0.3**	**0.3**	201.2	201.2
– notes	**284.3**	**284.3**	506.9	506.9
	288.6	**288.6**	712.1	712.1
Long-term				
Bank loans	**1,119.6**	**1,119.6**	997.8	997.8
Notes	**2,911.4**	**2,986.7**	2,721.6	2,638.2
	4,031.0	**4,106.3**	3,719.4	3,636.0
	4,319.6	**4,394.9**	4,431.5	4,348.1
Secured	**212.0**		229.9	
Unsecured	**4,107.6**		4,201.6	
	4,319.6		4,431.5	

20 **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 0.7% to 2.5% (2013: 0.5% to 3.2%) 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 2014 and 2013 were certain subsidiaries' bank borrowings which were secured against their properties for sale.

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					
2014					
Hong Kong dollar	**3.5**	**10.6**	**1,996.6**	**1,145.0**	**3,141.6**
Singapore dollar	**2.3**	**2.5**	**475.0**	**702.7**	**1,177.7**
United States dollar	**5.3**	**–**	**–**	**0.3**	**0.3**
			2,471.6	**1,848.0**	**4,319.6**
2013					
Hong Kong dollar	3.0	11.1	1,828.7	1,371.7	3,200.4
Singapore dollar	2.2	3.4	508.5	722.3	1,230.8
United States dollar	5.3	–	–	0.3	0.3
			2,337.2	2,094.3	4,431.5

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:

	2014 US$m	2013 US$m
Within one year	**2,132.4**	2,200.4
Between one and two years	**–**	297.2
Between four and five years	**103.0**	–
Beyond five years	**2,084.2**	1,933.9
	4,319.6	4,431.5

20 Borrowings continued

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

	Maturity	2014 Current US$m	2014 Non-current US$m	2013 Current US$m	2013 Non-current US$m
US$500m 10-year notes at 5.50%*	2014	**–**	**–**	506.9	–
S$375m 10-year notes at 3.65%*	2015	**284.3**	**–**	–	297.2
Medium term notes					
S$50m 8-year notes at 3.86%	2017	**–**	**39.3**	–	41.7
HK$200m 10-year notes at 4.135%	2019	**–**	**25.7**	–	25.6
HK$300m 10-year notes at 4.1875%	2019	**–**	**38.7**	–	38.7
HK$300m 10-year notes at 4.25%	2019	**–**	**38.7**	–	38.7
HK$500m 10-year notes at 4.22%	2020	**–**	**69.5**	–	68.1
HK$500m 10-year notes at 4.24%	2020	**–**	**64.3**	–	64.3
S$150m 10-year notes at 3.43%	2020	**–**	**113.3**	–	118.1
HK$500m 10-year notes at 3.95%	2020	**–**	**64.2**	–	64.2
HK$500m 12-year notes at 4.28%	2021	**–**	**68.8**	–	66.8
HK$410m 10-year notes at 3.86%	2022	**–**	**52.5**	–	52.4
US$500m 10-year notes at 4.50%*	2022	**–**	**484.0**	–	461.9
HK$305m 10-year notes at 3.00%	2022	**–**	**39.0**	–	39.0
HK$200m 10-year notes at 2.90%	2022	**–**	**25.6**	–	25.6
HK$1,100m 10-year notes at 3.95%	2023	**–**	**140.7**	–	140.7
HK$300m 10-year notes at 3.95%	2023	**–**	**38.4**	–	38.4
US$400m 10-year notes at 4.625%*	2024	**–**	**408.5**	–	–
HK$300m 15-year notes at 4.10%	2025	**–**	**38.5**	–	38.5
US$600m 15-year notes at 4.50%*	2025	**–**	**615.9**	–	617.2
HK$302m 15-year notes at 3.75%	2026	**–**	**38.6**	–	38.6
HK$785m 15-year notes at 4.00%	2027	**–**	**99.4**	–	99.3
HK$473m 15-year notes at 4.04%	2027	**–**	**60.8**	–	60.8
HK$200m 15-year notes at 3.95%	2027	**–**	**25.7**	–	25.7
HK$300m 15-year notes at 3.15%	2028	**–**	**38.0**	–	38.0
HK$325m 15-year notes at 4.22%	2028	**–**	**41.5**	–	41.5
HK$400m 15-year notes at 4.40%	2029	**–**	**50.8**	–	–
HK$800m 20-year notes at 4.11%	2030	**–**	**103.2**	–	103.2
HK$200m 20-year notes at 4.125%	2031	**–**	**25.4**	–	25.4
HK$240m 20-year partly paid notes at 4.00%†	2032	**–**	**30.3**	–	19.9
HK$250m 30-year notes at 5.25%	2040	**–**	**32.1**	–	32.1
		284.3	**2,911.4**	506.9	2,721.6

* Listed on the Singapore Exchange.

† The three instalments of HK$80 million each of the HK$240 million partly paid notes were issued in 2012, 2013 and 2014 respectively.

21 Share Capital

	Ordinary shares in millions 2014	2013	2014 US$m	2013 US$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	**2,352.8**	2,352.8	**235.3**	235.3

22 Dividends

	2014 US$m	2013 US$m
Final dividend in respect of 2013 of US¢12.00 (2012: US¢11.00) per share	**282.3**	258.8
Interim dividend in respect of 2014 of US¢6.00 (2013: US¢6.00) per share	**141.2**	141.2
	423.5	400.0

A final dividend in respect of 2014 of US¢13.00 (2013: US¢12.00) per share amounting to a total of US$305.9 million (2013: US$282.3 million) is proposed by the Board. The dividend proposed will not be accounted for until it has been approved at the Annual General Meeting. The amount will be accounted for as an appropriation of revenue reserves in the year ending 31st December 2015.

23 Notes to Consolidated Cash Flow Statement

a) Increase in properties for sale in 2014 included the acquisition of two sites in Singapore at US$364.0 million (2013: US$366.1 million) and payments for property sites in mainland China of US$64.5 million (2013: US$0.9 million).

b) Developments capital expenditure in 2014 included US$104.9 million (2013: US$96.6 million) for property developments in mainland China.

c) Investments in and loans to associates and joint ventures in 2014 included repayment of shareholders' loans of US$422.4 million following a refinancing at one of the Group's Singapore joint ventures.

d) Cash and cash equivalents

	2014 US$m	2013 US$m
Bank balances	**1,662.6**	1,406.3
Bank overdrafts (see Note 20)	**(4.0)**	(4.0)
	1,658.6	1,402.3

24 Derivative Financial Instruments

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

	2014		2013	
	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				
– forward foreign exchange contracts	**–**	**13.6**	–	–
– interest rate swaps	**–**	**–**	–	1.5
– cross currency swaps	**20.9**	**3.9**	6.7	13.0
Designated as fair value hedges				
– interest rate swaps	**5.9**	**–**	4.5	–
– cross currency swaps	**13.8**	**9.7**	4.1	34.4

Forward foreign exchange contracts
The notional principal amounts of the outstanding forward foreign exchange contracts at 31st December 2014 were US$358.7 million (2013: Nil).

Interest rate swaps
The notional principal amounts of the outstanding interest rate swap contracts at 31st December 2014 were US$102.4 million (2013: US$210.1 million).

At 31st December 2014, there were no outstanding interest rate contracts designated as cash flow hedges. At 31st December 2013, the fixed interest rates relating to interest rate swaps vary from 2.21% to 4.28%.

The fair values of interest rate swaps are based on the estimated cash flows discounted at market rates ranging from 0.38% to 2.04% (2013: 0.22% to 2.55%) per annum.

Cross currency swaps
The contract amounts of the outstanding cross currency swap contracts at 31st December 2014 were US$1,649.8 million (2013: US$1,756.3 million).

25 Commitments

	2014 US$m	2013 US$m
Capital commitments		
Authorised not contracted	**240.8**	497.9
Contracted not provided		
– joint ventures	**174.5**	395.3
– others	**237.3**	53.9
	411.8	449.2
	652.6	947.1
Operating lease commitments		
Due within one year	**3.0**	2.8
Due between one and two years	**2.3**	1.8
Due between two and five years	**0.2**	1.2
	5.5	5.8

26 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.

27 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 2014 was US$4.7 million (2013: US$4.7 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 2014 amounted to US$19.0 million (2013: US$19.0 million).

The Group provided project consultancy services to Jardine Matheson group members in 2014 amounting to US$0.4 million (2013: US$0.4 million).

Jardine Matheson group members provided property construction, maintenance and other services to the Group in 2014 in aggregate amounting to US$30.6 million (2013: US$53.9 million).

Hotel management services
Jardine Matheson group members provided hotel management services to the Group in 2014 amounted to US$3.2 million (2013: US$2.9 million).

Outstanding balances with associates and joint ventures
Amounts of outstanding balances with associates and joint ventures are included in debtors and creditors as appropriate (see Notes 15 and 19). The amounts are not material.

Directors' emoluments
Details of Directors' emoluments (being the key management personnel compensation) are shown on page 69 under the heading of 'Directors' Appointment, Retirement, Remuneration and Service Contracts'.

28 Summarised Balance Sheet of the Company

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

	2014 US$m	2013 US$m
Net operating assets		
Investments at cost		
Unlisted shares in subsidiaries	**4,481.7**	4,481.7
Net amounts due from subsidiaries	**1,065.8**	941.9
	5,547.5	5,423.6
Creditors and other accruals	**(19.4)**	(18.4)
	5,528.1	5,405.2
Total equity		
Share capital (see Note 21)	**235.3**	235.3
Revenue and other reserves		
Contributed surplus	**2,249.6**	2,249.6
Share premium	**386.9**	386.9
Revenue reserves	**2,656.3**	2,533.4
	5,292.8	5,169.9
Shareholders' funds	**5,528.1**	5,405.2

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.

29 Principal Subsidiaries, Associates and Joint Ventures

The principal subsidiaries, associates and joint ventures of the Group at 31st December 2014 are set out below.

	Attributable interests 2014 %	Attributable interests 2013 %	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
HK Glory Properties Ltd	**100**	100	USD	2	Property development	British Virgin Islands

* Owned directly

29 Principal Subsidiaries, Associates and Joint Ventures continued

	Attributable interests 2014 %	2013 %	Issued share capital		Main activities	Place of incorporation
Subsidiaries continued						
HKL (Chater House) Ltd	**100**	100	HKD	1,500,000	Property investment	Hong Kong
HKL (Landmark Hotel) Ltd	**100**	100	HKD	2	Hotel investment	Hong Kong
HKL (Prince's Building) Ltd	**100**	100	HKD	200	Property investment	Hong Kong
Hongkong Land (Chongqing North) Development Co Ltd	**100**	100	HKD	3,980,000,000	Property development	Mainland China
Hongkong Land (Chongqing) Development Co Ltd	**100**	100	USD	479,990,000	Property development	Mainland China
The Hongkong Land Company, Ltd	**100**	100	HKD	1,293,180,006	Property investment	Hong Kong
The Hongkong Land Property Company, Ltd	**100**	100	HKD	200	Property investment	Hong Kong
King Kok Investment Ltd	**90**	90	USD	10,000	Property investment	Mauritius
Mulberry Land Company Ltd	**100**	100	HKD	200	Property investment	Hong Kong
Starsome Investments Ltd	**100**	100	USD	2	Investment holding	British Virgin Islands
Wangfu Central Real Estate Development Co Ltd	**90**	90	RMB	3,500,000,000	Property development	Mainland China
Central Building Ltd	**71**	71	USD	1,991,547	Property investment	Vietnam
Doan Ket International Co Ltd	**73.9**	73.9	USD	7,291,500	Property investment	Vietnam
HKL (Esplanade) Pte Ltd	**100**	100	SGD	150,000,000	Property investment	Singapore
HKL (Treasury Services) Ltd	**100**	100	USD	1	Finance	British Virgin Islands
HKL Treasury (Singapore) Pte Ltd	**100**	100	SGD	2	Finance	Singapore
The Hongkong Land Finance (Cayman Islands) Company Ltd	**100**	100	USD	2	Finance	Cayman Islands
The Hongkong Land Notes Company Ltd	**100**	100	USD	2	Finance	British Virgin Islands
Hongkong Land Singapore (Pte) Ltd	**100**	100	SGD	100,000	Property management	Singapore
The Hongkong Land Treasury Services (Singapore) Pte Ltd	**100**	100	SGD	2	Finance	Singapore
Caseldine Investments Pte Ltd	**100**	100	SGD	1,000,000	Property development	Singapore

29 Principal Subsidiaries, Associates and Joint Ventures continued

	Attributable interests 2014 %	2013 %	Issued share capital		Main activities	Place of incorporation
Subsidiaries continued						
MCL Land (Brighton) Pte Ltd	**100**	100	SGD	1,000,000	Property development	Singapore
MCL Land Ltd	**100**	100	SGD	369,985,977	Investment holding	Singapore
MCL Land (Gateway) Pte Ltd	**100**	100	SGD	1,000,000	Property development	Singapore
MCL Land (Pantai View) Sdn Bhd	**100**	100	MYR	2,000,000	Property investment	Malaysia
MCL Land (Pasir Ris) Pte Ltd	**100**	100	SGD	1,000,000	Property development	Singapore
MCL Land (Prestige) Pte Ltd	**100**	100	SGD	1,000,000	Property development	Singapore
MCL Land (Prime) Pte Ltd	**100**	100	SGD	1,000,000	Property development	Singapore
MCL Land (Serangoon) Pte Ltd	**100**	100	SGD	1,000,000	Property development	Singapore
Beijing Yee Zhi Real Estate Consultancy Co Ltd	**100**	100	USD	1,000,000	Property consultancy	Mainland China
Hongkong Land (Beijing) Management Co Ltd	**100**	100	USD	150,000	Property management	Mainland China
Hongkong Land (Chongqing) Management Co Ltd	**100**	100	USD	5,150,000	Property investment, development and management	Mainland China
Hongkong Land (One Central) Retail Property Management Ltd	**100**	100	MOP	25,000	Management and administration services	Macau
Hongkong Land (Property Management) Ltd	**100**	100	HKD	20	Property management	Hong Kong
PT Hongkong Land Consultancy and Management	**100**	100	USD	300,000	Consultancy and management	Indonesia
Associates and joint ventures						
Beijing Premium Real Estate Ltd	**40**	40	USD	12,000,000	Property development	Mainland China
Bonus Plus Co Ltd	**50**	50	HKD	2	Property development	Hong Kong
Beijing Landmark Trinity Real Estate Development Co Ltd	**30**	30	RMB	2,800,000,000	Property development	Mainland China
Chengdu Premium Property Development Co Ltd	**50**	50	USD	699,980,000	Property development	Mainland China
China West Premier Housing Development Co Ltd	**50**	50	USD	569,960,000	Property development	Mainland China
Chongqing Central Park Ltd	**50**	50	HKD	4,640,000,000	Property development	Mainland China

29 Principal Subsidiaries, Associates and Joint Ventures continued

	Attributable interests 2014 %	Attributable interests 2013 %	Issued share capital		Main activities	Place of incorporation
Associates and joint ventures continued						
Longhu Land Ltd	**50**	50	USD	27,000,000	Property development	Mainland China
Normelle Estates Ltd	**50**	50	HKD	10,000	Property investment	Hong Kong
Properties Sub F, Ltd	**46.6**	46.6	MOP	1,000,000	Property investment	Macau
Ampang Investments Pte Ltd	**40**	40	SGD	10	Hotel investment	Singapore
BFC Development LLP	**33.3**	33.3	SGD	6	Property investment	Singapore
Central Boulevard Development Pte Ltd	**33.3**	33.3	SGD	6	Property investment	Singapore
Gaysorn Land Company Ltd	**49**	49	THB	61,250,000	Property investments and operations	Thailand
Golden Quantum Acres Sdn Bhd	**50**	50	MYR	2,764,210	Property development	Malaysia
Jardine Gibbons Properties Ltd	**40**	40	BD	600,000 'A' 400,000 'B'	Property holding	Bermuda
MSL Properties Sdn Bhd	**50**	50	MYR	3,000,000	Property development	Malaysia
NorthPine Land Inc	**40**	40	Peso	1,224,635,200	Property investment	The Philippines
One Raffles Quay Pte Ltd	**33.3**	33.3	SGD	6	Property investment	Singapore
PT Brahmayasa Bahtera	**40**	40	IDR	166,000,000,000	Property investment	Indonesia
PT Bumi Parama Wisesa	**49**	49	IDR	1,950,000,000,000	Property investment	Indonesia
PT Jakarta Land	**50**	50	IDR	3,320,000,000	Property investment and development	Indonesia
Sunrise MCL Land Sdn Bhd	**50**	50	MYR	2,000,000	Property development	Malaysia

Independent Auditors' Report

To the members of Hongkong Land Holdings Limited

Report on the Consolidated Financial Statements

Our opinion

In our opinion, Hongkong Land Holdings Limited's consolidated financial statements ('the financial statements') present fairly, in all material respects, the financial position of the Group as at 31st December 2014 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ('IFRSs') and The Companies Act 1981 (Bermuda).

What we have audited

Hongkong Land Holdings Limited's financial statements comprise:

- the Consolidated Balance Sheet as at 31st December 2014;
- the Consolidated Profit and Loss Account and the Consolidated Statement of Comprehensive Income for the year then ended;
- the Consolidated Cash Flow Statement for the year then ended;
- the Consolidated Statement of Changes in Equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law in Bermuda and IFRSs as issued by the International Accounting Standards Board (IASB).

In applying the financial reporting framework, the Directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Responsibilities for the Financial Statements and the Audit

Our responsibilities and those of the Directors

As explained more fully in the Responsibilities Statement on page 67, the Directors are responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs and The Companies Act 1981 (Bermuda).

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ('ISAs (UK & Ireland)'). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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.

What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the Group's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the Directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the Directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
11th March 2015

(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.

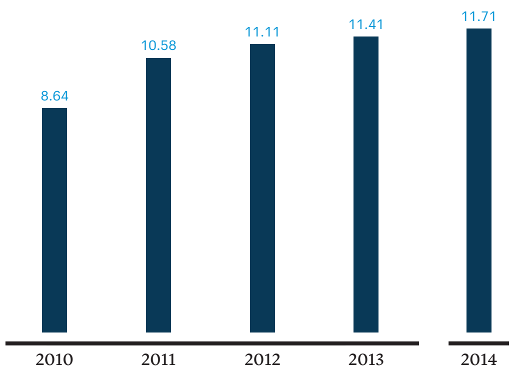
(b) Legislation in Bermuda governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Five Year Summary

	2010 US$m	2011 US$m	2012 US$m	2013 US$m	**2014** **US$m**
Profit attributable to shareholders	4,739	5,306	1,438	1,190	**1,327**
Underlying profit attributable to shareholders	810	703	776	935	**930**
Investment properties	18,036	22,530	23,494	23,583	**23,697**
Net debt	2,358	2,359	3,273	3,025	**2,657**
Shareholders' funds	19,457	24,739	26,148	26,857	**27,548**

	US$	US$	US$	US$	**US$**
Net asset value per share	8.64	10.58	11.11	11.41	**11.71**

Underlying earnings/dividends per share (US¢)



Net asset value per share (US$)

Responsibility Statement

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

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

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

For and on behalf of the Board

Y.K. Pang
John R. Witt
Directors
11th March 2015

Corporate Governance

Hongkong Land Holdings Limited is incorporated in Bermuda. The Company's property interests are almost entirely in Asia. The Company's equity shares have a standard listing on the Main Market of the London Stock Exchange, and secondary listings in Bermuda and Singapore. At a Special General Meeting held on 8th April 2014 shareholders approved the transfer of the Company's shares to a standard listing from a premium listing on the London Stock Exchange, and this transfer took effect on 27th May 2014. The Disclosure and Transparency Rules (the 'DTRs') issued by the Financial Conduct Authority in the United Kingdom (the 'FCA') require that this Report address all relevant information about the corporate governance practices applied beyond the requirements under Bermuda law.

The Company attaches importance to the corporate stability and opportunities that result from it being part of the Jardine Matheson Holdings Limited ('Jardine Matheson') group, which is considered to be fundamental to the Company's ability to pursue a long-term strategy in Asian markets. By coordinating objectives, establishing common values and standards, and sharing experience, contacts and business relationships, the Jardine Matheson group companies aim to optimise their opportunities across the Asian countries where they operate.

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

At the time of the Company's transfer from a premium listing to a standard listing the Company advised that it intended to maintain certain governance principles, including in relation to significant transactions, related party transactions, pre-emption rights over the issue of new shares and securities dealing rules, that would otherwise no longer apply to the Company. These are more fully described in 'Further Governance Principles' below.

The Management of the Group

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

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

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

The Board

The Company currently has a Board of 16 Directors. Their names and brief biographies appear on pages 18 to 19 of this Report. The Chairman has been appointed in accordance with the provisions of the Bye-laws of the Company, which provide that the chairman of Jardine Matheson, or any Director nominated by him, shall be the Chairman of the Company. The Board composition and operation helps to provide the Company with the necessary stability as it seeks to grow its business.

The role of the Chairman is to lead the Board as it oversees the Group's strategic and financial direction, while the principal role of the Managing Director is to act as chairman of HKL and of its finance committee. Ben Keswick is currently appointed to both positions. The responsibility for running the Group's business and all the executive matters affecting the Group rests with the Chief Executive, Y.K. Pang. The implementation of the Group's strategy is delegated to the Company's executive management, with decision-making authority within designated financial parameters delegated to the HKL finance committee.

The Board is scheduled to hold four meetings in 2015 and ad hoc procedures are adopted to deal with urgent matters. In 2014 one meeting was held in Bermuda and three were held in Asia. The Board receives high quality, up to date information for each of its meetings. In addition, certain Directors of the Company who do not serve on the board of HKL and who are based outside Asia regularly visit Asia and Bermuda to discuss the Group's business, as well as to participate in the four strategic reviews that precede the regular Board meetings. These Directors are not directly involved in the operational management of the Group's business activities, but their knowledge and close oversight of the Group's affairs reinforces the process by which business is reviewed before consideration at Board meetings.

Directors' Appointment, Retirement, Remuneration and Service Contracts

Candidates for appointment as executive Directors of the Company, as executive directors of HKL or as senior executives elsewhere in the Group may be sourced internally, or from the Jardine Matheson group or externally, including by using the services of specialist executive search firms. The aim is to appoint individuals who combine international best practice with familiarity of or adaptability to Asian markets. When appointing non-executive Directors, the Board pays particular attention to the Asian business experience and relationships that they can bring.

Each new Director is appointed by the Board and, in accordance with the Company's Bye-laws, each new Director is subject to retirement at the first annual general meeting after appointment. Thereafter, Directors are subject to retirement by rotation under the Bye-laws whereby one-third of the Directors retire at the annual general meeting each year. These provisions apply to both executive and non-executive Directors, but the requirement to retire by rotation does not extend to the Chairman or Managing Director. At this year's Annual General Meeting Mark Greenberg, Adam Keswick, Anthony Nightingale, James Watkins and Percy Weatherall retire by rotation 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.

Jenkin Hui, who had been a Director of the Company since 1994, passed away on 4th September 2014.

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 are normally offered an initial fixed-term service contract to reflect any requirement for them to relocate.

Recommendations and decisions on remuneration and other benefits payable or made available to executive Directors result from consultations between the Chairman and other Directors as he considers appropriate. Directors' fees, which are payable to all Directors other than the Chief Executive and the Chief Financial Officer, are decided upon by shareholders in general meeting as provided for by the Company's Bye-laws. A motion to increase the Directors' fees to US$55,000 each per annum and the fee for the Chairman and Managing Director to US$80,000 per annum with effect from 1st January 2015 will be proposed at the forthcoming Annual General Meeting.

For the year ended 31st December 2014, the Directors received from the Group US$7.2 million (2013: US$6.7 million) in Directors' fees and employee benefits, being US$0.8 million (2013: US$0.8 million) in Directors' fees, US$6.2 million (2013: US$5.8 million) in short-term employee benefits including salary, bonuses, accommodation and deemed benefits in kind and US$0.2 million (2013: US$0.1 million) in post-employment benefits. The information set out in this paragraph forms part of the audited financial statements.

The Company has in place shadow share option schemes under which cash bonuses are paid based on the performance of the Company's share price over a period. The shadow schemes were established to provide longer-term incentives for executive Directors and senior managers. Shadow share options are granted after consultation between the Chairman and the Chief Executive as well as other Directors as they consider appropriate.

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

Audit Committee

The Board has established within HKL an audit committee (the 'Audit Committee'), the current members of which are Adam Keswick, Mark Greenberg, James Riley and Giles White; they have extensive knowledge of the Group while at the same time not being directly involved in operational management. The chairman, chief executive and chief financial officer of HKL, together with representatives of the internal and external auditors, also attend the Audit Committee meetings by invitation. The Audit Committee meets and reports to the Board semi-annually.

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

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

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

Risk Management and Internal Control

The Board has overall responsibility for the Group's systems of risk management and internal control. The Board has delegated to the Audit Committee responsibility for reviewing areas of risk and uncertainty, the operation and effectiveness of the Group's systems of internal control and the procedures by which these are monitored. The Audit Committee considers the systems and procedures on a regular basis, and reports to the Board semi-annually. The systems of internal control are designed to manage, rather than eliminate, business risk; to help safeguard the Group's assets against fraud and other irregularities; and to give reasonable, but not absolute, assurance against material financial misstatement or loss.

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

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

The Company's policy on commercial conduct underpins the Group's internal control process, particularly in the area of compliance. The policy is set out in the Group's Code of Conduct, which is a set of guidelines to which every employee must adhere, and is reinforced and monitored by an annual compliance certification process.

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

The principal risks and uncertainties facing the Company are set out on page 74.

Directors' Responsibilities in respect of the Financial Statements

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

Code of Conduct

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

Directors' Share Interests

The Directors of the Company in office on 11th March 2015 had interests (within the meaning of the DTRs) as set out below in the ordinary share capital of the Company. These interests include those notified to the Company in respect of the Directors' connected persons (as that term is used in the DTRs in relation to companies incorporated outside the United Kingdom).

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

Substantial Shareholders

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

The Company has been informed of the holding of voting rights of 5% or more attaching to the Company's issued ordinary share capital by Jardine Strategic Holdings Limited ('Jardine Strategic'), which is directly interested in 1,176,616,646 ordinary shares carrying 50.01% of the voting rights. By virtue of its interest in Jardine Strategic, Jardine Matheson is also interested in the same ordinary shares. Apart from this shareholding, the Company is not aware of any holders of voting rights of 5% or more attaching to the issued ordinary share capital of the Company as at 11th March 2015.

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

Further Governance Principles

In May 2014 the Company's primary listing on the London Stock Exchange was transferred from a premium listing to a standard listing on the Main Market. Under a standard listing, the Company is subject to the UK Listing Rules (other than those which apply only to companies with a premium listing), the DTRs, the UK Prospectus Rules and the market abuse provisions of the UK Financial Services and Markets Act. The Company, therefore, is bound by the rules in relation to continuous disclosure, periodic financial reporting, disclosure of interests in shares and market abuse, including the rules governing insider dealing, market manipulation and the disclosure of price sensitive information. The Company is also subject to regulatory oversight from the FCA, as the Company's principal securities regulator, and is required to comply with the Admission and Disclosure Standards of the Main Market of the London Stock Exchange.

The main areas of the UK Listing Rules that no longer apply to the Company are in respect of significant transactions, related party transactions, pre-emption rights over the issue of new shares, share repurchases and the need to comply or explain non-compliance with the UK Corporate Governance Code. At the time of the move to a standard listing, however, the Company stated that it intended to maintain certain governance principles in the following areas:

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

Related Party Transactions

Details of transactions with related parties entered into by the Company during the course of the year are included in Note 27 to the financial statements on page 59.

Securities Purchase Arrangements

The Directors have the power under the Bermuda Companies Act and the Company's Memorandum of Association to purchase the Company's shares. Any shares so purchased shall be treated as cancelled. 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.

At the Annual General Meeting held on 7th May 2014, shareholders renewed the approval of a general mandate authorising the Directors to effect purchases by the Company or its subsidiaries of the Company's own ordinary shares of less than 15% in aggregate of its issued share capital in accordance with the UK Listing Rules applicable to the Company's premium listing status at the time. As such an authority is no longer required by the Company's standard listing obligations, its renewal is not being sought at the forthcoming Annual General Meeting. The Company will, however, remain subject to the UK market abuse regime.

Takeover Code

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

Annual General Meeting

The 2015 Annual General Meeting will be held at Rosewood Tucker's Point, Bermuda on 6th May 2015. The full text of the resolutions and explanatory notes in respect of the meeting are contained in the Notice of Meeting which accompanies this Report. A corporate website is maintained containing a wide range of information of interest to investors at www.hkland.com.

Power to Amend Bye-laws

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

Principal Risks and Uncertainties

The Board has overall responsibility for risk management and internal control. The process by which the Group identifies and manages risk is set out in more detail on page 70 of the Corporate Governance section of this Report. The following are the principal risks and uncertainties facing the Company as required to be disclosed pursuant to the Disclosure and Transparency Rules issued by the Financial Conduct Authority in the United Kingdom and are in addition to the matters referred to in the Chairman's Statement and Chief Executive's Review.

Economic Risk

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

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

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

Commercial Risk and Financial Risk

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

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

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

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

Regulatory and Political Risk

The Group is subject to a number of regulatory environments in the territories in which it operates. Changes in the regulatory approach to such matters as foreign ownership of assets and businesses, exchange controls, planning controls, tax rules and employment legislation have the potential to impact the operations and profitability of the Group. Changes in the political environment in such territories can also affect the Group.

Terrorism, Pandemic and Natural Disasters

A number of the Group's interests are vulnerable to the effects of terrorism, either directly through the impact of an act of terrorism or indirectly through the impact of generally reduced economic activity in response to the threat of or an actual act of terrorism.

The Group would be impacted by a global or regional pandemic which could be expected to seriously affect economic activity and the ability of our business to operate smoothly. In addition, many of the territories in which the Group is active can experience from time to time natural disasters such as earthquakes and typhoons.

Shareholder Information

Financial Calendar

2014 full-year results announced	5th March 2015
Shares quoted ex-dividend on the Singapore Exchange	18th March 2015
Shares quoted ex-dividend on the London Stock Exchange	19th March 2015
Share registers closed	23rd to 27th March 2015
Annual General Meeting to be held	6th May 2015
2014 final dividend payable	13th May 2015
2015 half-year results to be announced	30th July 2015*
Shares quoted ex-dividend on the Singapore Exchange	19th August 2015*
Shares quoted ex-dividend on the London Stock Exchange	20th August 2015*
Share registers to be closed	24th to 28th August 2015*
2015 interim dividend payable	14th October 2015*

* Subject to change

Dividends

Shareholders will receive their dividends in United States dollars, unless they are registered on the Jersey branch register where they will have the option to elect for sterling. These shareholders may make new currency elections for the 2014 final dividend by notifying the United Kingdom transfer agent in writing by 24th April 2015. The sterling equivalent of dividends declared in United States dollars will be calculated by reference to a rate prevailing on 29th April 2015. Shareholders holding their shares through The Central Depository (Pte) Limited ('CDP') in Singapore will receive United States dollars unless they elect, through CDP, to receive Singapore dollars.

Registrars and Transfer Agent

Shareholders should address all correspondence with regard to their shareholdings or dividends to the appropriate registrar or transfer agent.

Principal Registrar
Jardine Matheson International Services Limited
P.O. Box HM 1068
Hamilton HM EX
Bermuda

Jersey Branch Registrar
Capita Registrars (Jersey) Limited
12 Castle Street
St Helier, Jersey JE2 3RT
Channel Islands

Singapore Branch Registrar
M & C Services Private Limited
112 Robinson Road #05-01
Singapore 068902

United Kingdom Transfer Agent
Capita Asset Services
The Registry
34 Beckenham Road
Beckenham, Kent BR3 4TU
England

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

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Cosimo Jencks

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 2014, totalled US$23,681,900,000 (United States Dollars Twenty Three Billion Six Hundred Eighty One 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, 16th February 2015

Major Property Portfolio

at 31st December 2014

Commercial Investment Property

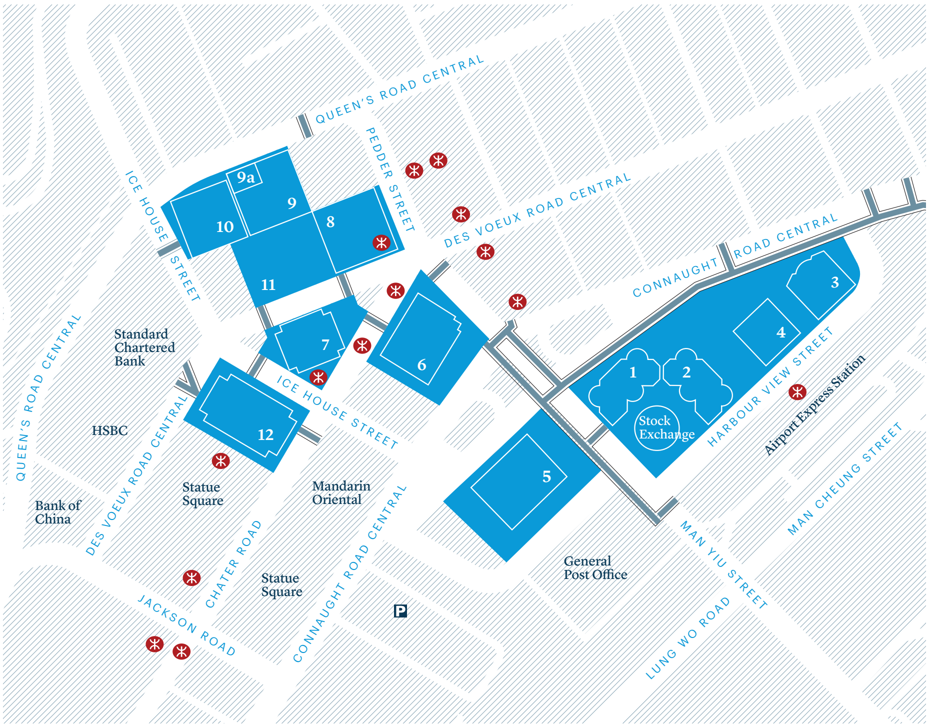
Completed development	Attributable interests %	Lettable area (100%) Total	Office	Retail
		(in thousands of square metres)		
Hong Kong				
Alexandra House	100	35	30	5
Chater House	100	43	39	4
Exchange Square	100	138		
One Exchange Square	100		52	–
Two Exchange Square	100		47	–
Three Exchange Square	100		30	–
Podium	100		–	5
The Forum	100		4	–
Jardine House	100	63	59	4
Gloucester Tower	100	44	44	–
Landmark Atrium	100	24	–	24
Edinburgh Tower	100	45	32	13
York House	100	10	10	–
Prince's Building	100	51	38	13
		453	385	68
Macau				
One Central	46.6	20	–	20
Singapore				
One Raffles Link	100	29	22	7
One Raffles Quay	33.3	124		
North Tower			71	–
South Tower			53	–
Marina Bay Financial Centre	33.3	286		
Tower 1			57	2
Tower 2			95	7
Tower 3			117	8
		439	415	24
Jakarta, Indonesia				
World Trade Centre 1	50	42	37	5
World Trade Centre 2	50	60	56	4
World Trade Centre 5	50	15	14	1
World Trade Centre 6	50	18	16	2
		135	123	12
Bangkok, Thailand				
Gaysorn	49	17	5	12
Hanoi, Vietnam				
Central Building	71	4	4	–
63 Ly Thai To	73.9	7	6	1
		11	10	1

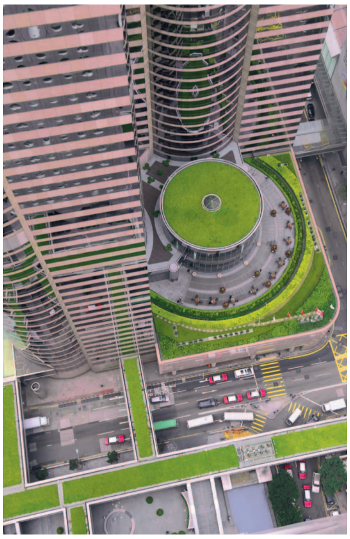
Residential Development Property for Sale

Completed development	Attributable interests %	Location	Available units at 31st December 2014 (100%)
Mainland China			
Maple Place	90	Beijing	64
Singapore			
Marina Bay Suites	33.3	Central Boulevard	18

Under development	Attributable interests %	Location	Site area (100%) (in square metres)
Mainland China			
Bamboo Grove	50	Chongqing	225,055
Landmark Riverside	50	Chongqing	292,001
Yorkville South	100	Chongqing	246,408
Yorkville North	100	Chongqing	505,346
Central Avenue	50	Chongqing	402,305
WE City	50	Chengdu	174,323
Park Life	50	Shenyang	314,661
One Capitol	50	Shenyang	331,618
One Island	50	Shenyang	253,553
Singapore			
Hallmark Residences	100	Ewe Boon Road	5,906
Palms @ Sixth Avenue	100	Sixth Avenue	6,412
Ripple Bay	100	Jalan Loyang Besar/ Pasir Ris Drive 4	27,055
J Gateway	100	Boon Lay Way	11,588
LakeVille	100	Jurong West Street 41	22,357
Choa Chu Kang Parcels A & B	100	Choa CHu Kang Grove	32,909
Indonesia			
Anandamaya Residences	40	Jakarta	16,299
Nava Park	49	Serpong, Greater Jakarta	674,335
The Philippines			
Two Roxas Triangle	40	Manila	11,812
Mandani Bay	50	Cebu	195,915

Hong Kong – Central District





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

Hong Kong

Serenade

Macau

One Central

Indonesia

WTC

Anandamaya Residences*

Nava Park*

Thailand

Gaysorn

Vietnam

63 Ly Thai To

Central Building

Cambodia

Central Mansions

EXCHANGE SQUARE*

Philippines

Roxas Triangle Towers*

Beijing, China


WF CENTRAL*


CBD Site*


Central Park

Beijing, China


Maple Place

Chongqing, China


Bamboo Grove


Landmark Riverside*

Chongqing, China


Yorkville South


Yorkville North*


Central Avenue*

Chengdu, China


WE City*

Shenyang, China


Park Life


One Capitol

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

Singapore

Marina Bay Financial Centre

One Raffles Quay

One Raffles Link

Marina Bay Suites

Hallmark Residences

Terrasse

Uber 388*

Ripple Bay*

Palms @ Sixth Avenue*

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

Hongkong Land Holdings Limited
Jardine House Hamilton Bermuda

www.hkland.com

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