HONGKONG LAND HOLDINGS LIMITED

Preliminary Financial Statements

for the year ended 31st December 2017

Consolidated Profit and Loss Account

for the year ended 31st December 2017

		2017			2016		
		Underlying business performance	**Non-trading items**	**Total**	Underlying business performance	Non-trading items	Total
	Note	**US$m**	**US$m**	**US$m**	US$m	US$m	US$m
Revenue	*5*	**1,959.8**	**-**	**1,959.8**	1,993.9	-	1,993.9
Net operating costs	*6*	**(1,052.2)**	**-**	**(1,052.2)**	(1,023.3)	-	(1,023.3)
		907.6	**-**	**907.6**	970.6	-	970.6
Change in fair value of investment properties	*11*	**-**	**4,677.9**	**4,677.9**	-	2,549.9	2,549.9
Gain on acquisition of a subsidiary	*11*	**-**	**3.0**	**3.0**	-	-	-
Asset impairment reversals	*11*	**-**	**-**	**-**	-	1.2	1.2
Operating profit		**907.6**	**4,680.9**	**5,588.5**	970.6	2,551.1	3,521.7
Net financing charges	*7*						
- financing charges		**(121.3)**	**-**	**(121.3)**	(110.4)	-	(110.4)
- financing income		**43.1**	**-**	**43.1**	41.5	-	41.5
		(78.2)	**-**	**(78.2)**	(68.9)	-	(68.9)
Share of results of associates and joint ventures	*8*						
- before change in fair value of investment properties		**298.5**	**-**	**298.5**	117.0	-	117.0
- change in fair value of investment properties	*11*	**-**	**(53.1)**	**(53.1)**	-	(57.9)	(57.9)
		298.5	**(53.1)**	**245.4**	117.0	(57.9)	59.1
Profit before tax		**1,127.9**	**4,627.8**	**5,755.7**	1,018.7	2,493.2	3,511.9
Tax	*9*	**(156.8)**	**(1.8)**	**(158.6)**	(168.1)	0.8	(167.3)
Profit after tax		**971.1**	**4,626.0**	**5,597.1**	850.6	2,494.0	3,344.6
Attributable to:							
Shareholders of the Company		**969.7**	**4,615.7**	**5,585.4**	847.8	2,498.5	3,346.3
Non-controlling interests		**1.4**	**10.3**	**11.7**	2.8	(4.5)	(1.7)
		971.1	**4,626.0**	**5,597.1**	850.6	2,494.0	3,344.6
		US¢		**US¢**	US¢		US¢
Earnings per share (basic and diluted)	*10*	**41.21**		**237.39**	36.03		142.23

Consolidated Statement of Comprehensive Income

for the year ended 31st December 2017

	Note	**2017** **US$m**	2016 US$m
Profit for the year		**5,597.1**	3,344.6
Other comprehensive income/(expense)			
Items that will not be reclassified to profit or loss:			
Remeasurements of defined benefit plans		**2.3**	(1.2)
Tax on items that will not be reclassified	*9*	**(0.4)**	0.2
		1.9	(1.0)
Items that may be reclassified subsequently to profit or loss:			
Net exchange translation differences			
- net gain/(loss) arising during the year		**69.4**	(172.1)
- transfer to profit and loss		**11.2**	-
		80.6	(172.1)
Revaluation of other investments		**51.4**	(9.1)
Cash flow hedges			
- net (loss)/gain arising during the year		**(27.8)**	41.8
- transfer to profit and loss		**(2.8)**	(2.5)
		(30.6)	39.3
Tax relating to items that may be reclassified	*9*	**5.1**	(6.5)
Share of other comprehensive income/(expense) of associates and joint ventures		**237.2**	(144.9)
		343.7	(293.3)
Other comprehensive income/(expense) for the year, net of tax		**345.6**	(294.3)
Total comprehensive income for the year		**5,942.7**	3,050.3
Attributable to:			
Shareholders of the Company		**5,925.8**	3,055.2
Non-controlling interests		**16.9**	(4.9)
		5,942.7	3,050.3

Consolidated Balance Sheet

at 31st December 2017

	Note	2017 US$m	2016 US$m
Net operating assets			
Tangible fixed assets		**106.9**	44.9
Investment properties	*12*	**32,481.0**	27,712.3
Associates and joint ventures	*13*	**5,550.8**	4,460.7
Other investments	*14*	**103.0**	52.2
Non-current debtors	*15*	**28.5**	60.1
Deferred tax assets	*16*	**15.5**	8.7
Pension assets		**0.1**	-
Non-current assets		**38,285.8**	32,338.9
Properties for sale	*17*	**2,534.6**	2,217.4
Current debtors	*15*	**498.4**	480.3
Current tax assets		**10.6**	9.2
Bank balances	*18*	**1,622.1**	1,908.9
Current assets		**4,665.7**	4,615.8
Current creditors	*19*	**(1,694.9)**	(1,490.3)
Current borrowings	*20*	**(190.6)**	(220.7)
Current tax liabilities		**(113.5)**	(80.0)
Current liabilities		**(1,999.0)**	(1,791.0)
Net current assets		**2,666.7**	2,824.8
Long-term borrowings	*20*	**(3,980.3)**	(3,695.7)
Deferred tax liabilities	*16*	**(126.9)**	(121.5)
Pension liabilities		**-**	(1.8)
Non-current creditors	*19*	**(36.9)**	(30.3)
		36,808.4	31,314.4
Total equity			
Share capital	*21*	**235.3**	235.3
Share premium		**386.9**	386.9
Revenue and other reserves		**36,151.5**	30,672.2
Shareholders' funds		**36,773.7**	31,294.4
Non-controlling interests		**34.7**	20.0
		36,808.4	31,314.4

Approved by the Board of Directors on 8th March 2018

Ben Keswick
Robert Wong
Directors

Consolidated Statement of Changes in Equity

for the year ended 31st December 2017

	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
2017									
At 1st January		**235.3**	**386.9**	**31,093.6**	**18.6**	**(440.0)**	**31,294.4**	**20.0**	**31,314.4**
Total comprehensive income		**-**	**-**	**5,638.7**	**(26.3)**	**313.4**	**5,925.8**	**16.9**	**5,942.7**
Dividends paid by the Company	*22*	**-**	**-**	**(447.0)**	**-**	**-**	**(447.0)**	**-**	**(447.0)**
Dividends paid to non-controlling shareholders		**-**	**-**	**-**	**-**	**-**	**-**	**(2.2)**	**(2.2)**
Unclaimed dividends forfeited		**-**	**-**	**0.5**	**-**	**-**	**0.5**	**-**	**0.5**
At 31st December		**235.3**	**386.9**	**36,285.8**	**(7.7)**	**(126.6)**	**36,773.7**	**34.7**	**36,808.4**
2016									
At 1st January		235.3	386.9	28,205.8	(9.1)	(133.9)	28,685.0	35.4	28,720.4
Total comprehensive income		-	-	3,336.2	27.7	(308.7)	3,055.2	(4.9)	3,050.3
Dividends paid by the Company	*22*	-	-	(447.0)	-	-	(447.0)	-	(447.0)
Dividends paid to non-controlling shareholders		-	-	-	-	-	-	(4.2)	(4.2)
Unclaimed dividends forfeited		-	-	0.5	-	-	0.5	-	0.5
Change in interests in subsidiaries		-	-	(1.9)	-	2.6	0.7	(6.3)	(5.6)
At 31st December		235.3	386.9	31,093.6	18.6	(440.0)	31,294.4	20.0	31,314.4

Total comprehensive income included in revenue reserves mainly comprises profit attributable to shareholders of the Company of US$5,585.4 million (2016: US$3,346.3 million) and a fair value gain on other investments of US$51.4 million (2016: loss of US$9.1 million). The cumulative fair value gain on other investments amounted to US$65.8 million (2016: US$14.4 million).

Consolidated Cash Flow Statement

for the year ended 31st December 2017

	Note	2017 US$m	2016 US$m
Operating activities			
Operating profit		**5,588.5**	3,521.7
Depreciation	*6*	**3.0**	3.1
Reversal of writedowns on properties for sale	*6*	**-**	(3.2)
Change in fair value of investment properties	*12*	**(4,677.9)**	(2,549.9)
Gain on acquisition of a subsidiary		**(3.0)**	-
Asset impairment reversals		**-**	(1.2)
(Increase)/decrease in properties for sale		**(69.7)**	392.4
Decrease/(increase) in debtors		**26.7**	(131.7)
Increase/(decrease) in creditors		**51.3**	(7.5)
Interest received		**41.9**	36.4
Interest and other financing charges paid		**(117.8)**	(111.4)
Tax paid		**(137.2)**	(140.6)
Dividends from associates and joint ventures		**94.4**	88.1
Cash flows from operating activities		**800.2**	1,096.2
Investing activities			
Major renovations expenditure		**(108.2)**	(91.3)
Developments capital expenditure		**(105.5)**	(148.2)
Acquisition of a subsidiary		**(42.6)**	-
Investments in and advances to associates and joint ventures		**(670.5)**	(1.4)
Payment of deposit for a joint venture		**(20.1)**	(4.2)
Cash flows from investing activities		**(946.9)**	(245.1)
Financing activities			
Drawdown of borrowings		**825.1**	266.7
Repayment of borrowings		**(586.1)**	(240.6)
Dividends paid by the Company		**(443.4)**	(443.8)
Dividends paid to non-controlling shareholders		**(3.8)**	(4.2)
Change in interests in subsidiaries		**15.0**	(20.2)
Cash flows from financing activities		**(193.2)**	(442.1)
Net cash (outflow)/inflow		**(339.9)**	409.0
Cash and cash equivalents at 1st January		**1,898.4**	1,565.9
Effect of exchange rate changes		**58.1**	(76.5)
Cash and cash equivalents at 31st December	*23*	**1,616.6**	1,898.4

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

There are no new standards or amendments, which are effective in 2017 and relevant to the Group's operations, that have a material impact on the Group's accounting policies and disclosures.

New standards and amendments effective after 2017 which are relevant to the Group's operations and yet to be adopted:

A number of new standards and amendments, which are effective for accounting periods beginning after 2017, have been published and will be adopted by the Group from their effective dates. The Group's assessment of the impact of these standards and amendments is set out below.

IFRS 9 Financial Instruments (effective from 1st January 2018)
The standard replaces IAS 39 'Financial Instruments: Recognition and Measurement', addresses the classification, measurement and derecognition of financial assets and liabilities, and includes a new expected credit losses model for financial assets that replaces the incurred loss impairment model used today. A substantially-reformed approach to hedging accounting is introduced.

The Group does not expect the new guidance to have a significant impact on the classification and measurement of its financial assets and financial liabilities. At 31st December 2017, the Group had investments in equity securities classified as available-for-sale with a fair value of US$103 million. Under IFRS 9, the gains and losses arising from changes in fair value of these investments will be recognised in profit and loss, instead of through other comprehensive income. Such fair value gains or losses on revaluation of these investments will be classified as non-trading items. The above change will not have any impact on the Group's underlying profit attributable to shareholders and shareholders funds. The Group's profit attributable to shareholders for the year ended 31st December 2017 would increase by US$51 million.

The new hedge accounting rules will align the accounting for hedging instruments closely with the Group's risk management practices. The Group does not expect a significant impact on the accounting for its hedging relationships.

IFRS 15 Revenue from Contracts with Customers (effective from 1st January 2018)
The standard establishes a comprehensive framework for the recognition of revenue. It replaces IAS 11 'Construction Contracts' and IAS 18 'Revenue' which covers contracts for goods and services. The core principle in the framework is that revenue is recognised when control of a good or service transfers to a customer. The new standard will change the Group's revenue recognition on certain property sales from completion method to percentage of completion method. This will lead to earlier recognition of revenue when compared to the current completion method.

Based on the Group's assessment, it is estimated that the change in the above property sale recognition method will reduce the Group's underlying profit attributable to shareholders for the year ended 31st December 2017 by about 2% but will increase the Group's shareholders' funds as at 1st January 2018 by about 0.2%.

IFRS 16 Leases (effective from 1st January 2019)
The standard replaces IAS 17 'Leases' and related interpretations. It will result in lessees bringing almost all their leases onto the balance sheet as the distinction between operating leases and finance leases is removed. The model requires a lessee to recognise a right-of-use asset and a lease liability, except for leases with a term of less than 12 months or with low-value. IFRS 16 will affect primarily the accounting for the Group's operating leases. As at 31st December 2017, the Group had total commitments under operating leases of US$10 million (refer Note 25). The accounting for lessors will not change significantly. The impact of IFRS 16 on the Group businesses is expected to be insignificant.

Apart from the above, there are no other standards or amendments that are not yet effective and that would be expected to have a material impact to 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.

1 Principal Accounting Policies continued

Basis of consolidation

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

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

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

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

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

Associates and joint ventures are included on the equity basis of accounting.

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

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

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

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.

1 Principal Accounting Policies continued

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.

Tangible fixed assets and depreciation

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

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

Furniture, equipment and motor vehicles	3 – 10 years
Leasehold land	period of the lease

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

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

Investment properties

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

1 Principal Accounting Policies continued

Investments

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

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.

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

Leases

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

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

Properties for sale

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

Debtors

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

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

Cash and cash equivalents

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

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.

1 Principal Accounting Policies continued

Borrowings and borrowing costs

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

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

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

Current and deferred tax

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

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

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

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

Pension obligations

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

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

Actuarial gains and losses 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

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 2017 are disclosed in Note 24.

2 Financial Risk Management continued

Financial risk factors continued

i) Market risk

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

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

Currency risks as defined by IFRS 7 arise on account of monetary assets and liabilities being denominated in a currency that is not the functional currency. At 31st December 2017, 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$1,648 million (2016: US$1,637 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 2017, the Group's interest rate hedge was 52% (2016: 56%) with an average tenor of seven years (2016: eight 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 rates to fixed rates.

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

2 Financial Risk Management continued

Financial risk factors continued

i) Market risk continued

At 31st December 2017, 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$3 million (2016: US$8 million) higher/lower and hedging reserve would have been US$55 million (2016: US$59 million) higher/lower, as a result of fair value changes to cash flow hedges. The sensitivity analysis has been determined assuming that the change in interest rates had occurred at the balance sheet date and had been applied to the exposure to interest rate risk for both derivative and non-derivative financial instruments in existence at that date. The 100 basis point increase or decrease represents management's assessment of a reasonably possible change in those interest rates which have the most impact on the Group, specifically the United States, Hong Kong, mainland China and Singapore rates, over the period until the next annual balance sheet date. In the case of effective fair value hedges, changes in fair value of the hedged item caused by interest rate movements balance out in profit and loss account against changes in the fair value of the hedging instruments. Changes in market interest rates affect the interest income or expense of non-derivative variable-interest financial instruments, the interest payments of which are not designated as hedged items of cash flow hedges against interest rate risks. As a consequence, they are included in the calculation of profit after tax sensitivities. Changes in the market interest rate of financial instruments that were designated as hedging instruments in a cash flow hedge to hedge payment fluctuations resulting from interest rate movements affect the hedging reserves and are therefore taken into consideration in the equity-related sensitivity calculations.

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 2017, 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$26 million (2016: US$13 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 2017, 98% (2016: 83%) of deposits and balances with banks and financial institutions were made to institutions with Moody's credit ratings of no less than A3, 1% (2016: 11%) at Baa1 and 1% (2016: 6%) at Baa2 or below. Similarly transactions involving derivative financial instruments are with banks with sound credit ratings and capital adequacy ratios. In developing countries it may be necessary to deposit money with banks that have a lower credit rating, however the Group only enters into derivative transactions with counterparties which have credit ratings of at least investment grade. Management does not expect any counterparty to fail to meet its obligations.

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

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

2 Financial Risk Management continued

Financial risk factors continued

iii) Liquidity risk

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

At 31st December 2017, total committed and uncommitted borrowing facilities amounted to US$ 7,040 million (2016: US$6,662 million) of which US$4,171 million (2016: US$3,917 million) was drawn down. Undrawn committed facilities, in the form of revolving credit and term loan facilities, totalled US$2,658 million (2016: US$2,607 million).

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

	Within one year US$m	Between one and two years US$m	Between two and three years US$m	Between three and four years US$m	Between four and five years US$m	Beyond five years US$m	Total undiscounted cash flows US$m
2017							
Borrowings	**395.4**	**452.6**	**518.1**	**546.4**	**1,149.2**	**2,160.2**	**5,221.9**
Creditors	**645.8**	**12.2**	**6.5**	**0.2**	**0.2**	**3.0**	**667.9**
Gross settled derivative financial instruments							
- inflow	**73.9**	**150.2**	**132.4**	**68.0**	**556.3**	**1,097.9**	**2,078.7**
- outflow	**65.0**	**145.0**	**128.2**	**60.5**	**544.8**	**1,088.5**	**2,032.0**
2016							
Borrowings	374.0	486.5	559.2	474.7	240.8	2,788.6	4,923.8
Creditors	508.9	8.9	10.3	1.7	0.2	3.3	533.3
Gross settled derivative financial instruments							
- inflow	74.0	74.0	150.9	132.9	68.0	1,655.0	2,154.8
- outflow	63.6	63.6	137.7	122.1	59.4	1,643.9	2,090.3

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 2017 and 2016 are as follows:

	2017	2016
Gearing ratio (%)	**7**	6
Interest cover (times)	**14**	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
2017			
Assets			
Available-for-sale financial assets			
- listed securities	**103.0**	**-**	**103.0**
Derivative designated at fair value			
- through other comprehensive income	**-**	**4.8**	**4.8**
- through profit and loss	**-**	**9.7**	**9.7**
	103.0	**14.5**	**117.5**
Liabilities			
Derivative designated at fair value			
- through other comprehensive income	**-**	**(7.7)**	**(7.7)**
- through profit and loss	**-**	**(8.6)**	**(8.6)**
	-	**(16.3)**	**(16.3)**
2016			
Assets			
Available-for-sale financial assets			
- listed securities	52.2	-	52.2
Derivative designated at fair value			
- through other comprehensive income	-	28.0	28.0
- through profit and loss	-	16.5	16.5
	52.2	44.5	96.7
Liabilities			
Derivative designated at fair value			
- through profit and loss	-	(7.6)	(7.6)

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

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 2017 and 2016 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	Total carrying amount US$m	Fair value US$m
2017						
Assets						
Other investments	**-**	**-**	**103.0**	**-**	**103.0**	**103.0**
Debtors	**217.9**	**14.5**	**-**	**-**	**232.4**	**232.4**
Bank balances	**1,622.1**	**-**	**-**	**-**	**1,622.1**	**1,622.1**
	1,840.0	**14.5**	**103.0**	**-**	**1,957.5**	**1,957.5**
Liabilities						
Borrowings	**-**	**-**	**-**	**(4,170.9)**	**(4,170.9)**	**(4,292.7)**
Creditors	**-**	**(16.3)**	**-**	**(667.9)**	**(684.2)**	**(684.2)**
	-	**(16.3)**	**-**	**(4,838.8)**	**(4,855.1)**	**(4,976.9)**
2016						
Assets						
Other investments	-	-	52.2	-	52.2	52.2
Debtors	288.1	44.5	-	-	332.6	332.6
Bank balances	1,908.9	-	-	-	1,908.9	1,908.9
	2,197.0	44.5	52.2	-	2,293.7	2,293.7
Liabilities						
Borrowings	-	-	-	(3,916.4)	(3,916.4)	(3,988.3)
Creditors	-	(7.6)	-	(533.3)	(540.9)	(540.9)
	-	(7.6)	-	(4,449.7)	(4,457.3)	(4,529.2)

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.

3 Critical Accounting Estimates and Judgements continued

Acquisition of subsidiaries, associates and joint ventures continued

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, mainland China and Singapore, capitalisation rates in the range of 2.75% to 3.50% for office (2016: 3.20% to 3.85%) and 3.75% to 5.00% for retail (2016: 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 capital gain tax rate.

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

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

	2017				2016			
	Investment Properties US$m	**Development Properties US$m**	**Corporate US$m**	**Total US$m**	Investment Properties US$m	Development Properties US$m	Corporate US$m	Total US$m
Revenue	**1,049.0**	**910.8**	**-**	**1,959.8**	988.8	1,005.1	-	1,993.9
Net operating costs	**(197.5)**	**(786.9)**	**(67.8)**	**(1,052.2)**	(182.9)	(778.9)	(61.5)	(1,023.3)
Share of operating profit of associates and joint ventures	**136.4**	**415.8**	**-**	**552.2**	146.4	60.0	-	206.4
Underlying operating profit	**987.9**	**539.7**	**(67.8)**	**1,459.8**	952.3	286.2	(61.5)	1,177.0
Net financing charges								
- subsidiaries				**(78.2)**				(68.9)
- share of associates and joint ventures				**(26.2)**				(33.2)
				(104.4)				(102.1)
Tax								
- subsidiaries				**(156.8)**				(168.1)
- share of associates and joint ventures				**(214.2)**				(46.4)
				(371.0)				(214.5)
Non-controlling interests								
- subsidiaries				**(1.4)**				(2.8)
- share of associates and joint ventures				**(13.3)**				(9.8)
				(14.7)				(12.6)
Underlying profit attributable to shareholders				**969.7**				847.8
Non-trading items:								
- change in fair value of investment properties				**4,612.7**				2,497.3
- gain on acquisition of a subsidiary				**3.0**				-
- asset impairment reversals				**-**				1.2
				4,615.7				2,498.5
Profit attributable to shareholders				**5,585.4**				3,346.3

4 Segmental Information continued

	Revenue		Underlying operating profit		Underlying profit attributable to shareholders	
	2017	2016	**2017**	2016	**2017**	2016
	US$m	US$m	**US$m**	US$m	**US$m**	US$m
By geographical location						
Greater China	**1,302.5**	1,396.7	**1,315.4**	975.7	**1,293.7**	959.0
Southeast Asia and others	**657.3**	597.2	**212.2**	262.8	**211.1**	261.5
Corporate, net financing charges and tax	**-**	-	**(67.8)**	(61.5)	**(535.1)**	(372.7)
	1,959.8	1,993.9	**1,459.8**	1,177.0	**969.7**	847.8

	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						
2017						
Investment Properties	**36,813.0**	**-**	**478.3**	**(695.7)**	**-**	**36,595.6**
Development Properties	**-**	**5,525.9**	**502.7**	**(2,093.3)**	**-**	**3,935.3**
Unallocated assets and liabilities	**-**	**-**	**-**	**-**	**(3,722.5)**	**(3,722.5)**
	36,813.0	**5,525.9**	**981.0**	**(2,789.0)**	**(3,722.5)**	**36,808.4**
2016						
Investment Properties	31,891.6	-	385.4	(652.4)	-	31,624.6
Development Properties	-	4,052.9	459.6	(2,184.5)	-	2,328.0
Unallocated assets and liabilities	-	-	-	-	(2,638.2)	(2,638.2)
	31,891.6	4,052.9	845.0	(2,836.9)	(2,638.2)	31,314.4
By geographical location						
2017						
Greater China	**32,502.8**	**3,837.4**	**551.4**	**(1,889.4)**	**-**	**35,002.2**
Southeast Asia and others	**4,310.2**	**1,688.5**	**429.6**	**(899.6)**	**-**	**5,528.7**
Unallocated assets and liabilities	**-**	**-**	**-**	**-**	**(3,722.5)**	**(3,722.5)**
	36,813.0	**5,525.9**	**981.0**	**(2,789.0)**	**(3,722.5)**	**36,808.4**
2016						
Greater China	27,893.7	2,587.6	436.4	(1,867.2)	-	29,050.5
Southeast Asia and others	3,997.9	1,465.3	408.6	(969.7)	-	4,902.1
Unallocated assets and liabilities	-	-	-	-	(2,638.2)	(2,638.2)
	31,891.6	4,052.9	845.0	(2,836.9)	(2,638.2)	31,314.4

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

5 Revenue

	2017 US$m	2016 US$m
Rental income	**911.7**	858.8
Service income	**140.3**	130.8
Sales of properties	**907.8**	1,004.3
	1,959.8	1,993.9

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

Total contingent rents included in rental income amounted to US$8.8 million (2016: US$10.4 million).

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

	2017 US$m	2016 US$m
Within one year	**821.8**	766.7
Between one and two years	**618.2**	525.0
Between two and five years	**727.9**	579.4
Beyond five years	**321.6**	341.2
	2,489.5	2,212.3

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

6 Net Operating Costs

	2017 US$m	2016 US$m
Cost of sales	**(933.5)**	(923.0)
Other income	**17.0**	11.7
Administrative expenses	**(135.7)**	(112.0)
	(1,052.2)	(1,023.3)

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

	2017 US$m	2016 US$m
Cost of properties for sale recognised as expense	**(754.4)**	(756.0)
Operating expenses arising from investment properties	**(179.1)**	(170.2)
Reversal of writedowns on properties for sale	**-**	3.2
Depreciation of tangible fixed assets	**(3.0)**	(3.1)
Employee benefit expense		
- salaries and benefits in kind	**(122.1)**	(106.4)
- defined contribution pension plans	**(1.6)**	(1.5)
- defined benefit pension plans	**(1.6)**	(1.5)
	(125.3)	(109.4)
Auditors' remuneration		
- audit	**(1.6)**	(1.5)
- non-audit services	**(0.5)**	(0.4)
	(2.1)	(1.9)

The number of employees at 31st December 2017 was 1,883 (2016: 1,621).

7 Net Financing Charges

	2017 US$m	2016 US$m
Interest expense		
- bank loans and overdrafts	**(28.3)**	(24.2)
- other borrowings	**(107.7)**	(106.9)
Total interest expense	**(136.0)**	(131.1)
Interest capitalised	**32.1**	34.1
	(103.9)	(97.0)
Commitment and other fees	**(17.4)**	(13.4)
Financing charges	**(121.3)**	(110.4)
Financing income	**43.1**	41.5
	(78.2)	(68.9)

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

8 Share of Results of Associates and Joint Ventures

	2017 US$m	2016 US$m
By business		
Investment Properties	**82.1**	89.4
Development Properties	**216.4**	27.6
Underlying business performance	**298.5**	117.0
Non-trading items:		
Change in fair value of investment properties	**(53.1)**	(57.9)
	245.4	59.1

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

The Group's share of revenue of associates and joint ventures was US$1,324.6 million (2016: US$538.5 million).

9 Tax

Tax charged to profit and loss is analysed as follows:

	2017 US$m	2016 US$m
Current tax	**(168.0)**	(149.3)
Deferred tax		
- changes in fair value of investment properties	**(1.8)**	0.8
- other temporary differences	**11.2**	(18.8)
	9.4	(18.0)
	(158.6)	(167.3)

Reconciliation between tax expense and tax at applicable tax rate:

	2017 US$m	2016 US$m
Tax at applicable tax rate	**(924.1)**	(580.5)
Change in fair value of investment properties not taxable in determining taxable profit	**773.4**	419.0
Income not subject to tax	**22.5**	24.6
Expenses not deductible in determining taxable profit	**(7.3)**	(8.4)
Withholding tax	**(4.6)**	(8.8)
Land appreciation tax in mainland China	**(19.6)**	(13.8)
Others	**1.1**	0.6
	(158.6)	(167.3)

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

	2017 US$m	2016 US$m
Remeasurements of defined benefit plans	**(0.4)**	0.2
Cash flow hedges	**5.1**	(6.5)
	4.7	(6.3)

The applicable tax rate for the year of 16.8% (2016: 16.8%) represents the weighted average of the rates of taxation prevailing in the territories in which the Group operates.

Share of tax charge of associates and joint ventures of US$192.8 million (2016: US$47.4 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$5,585.4 million (2016: US$3,346.3 million) and on the weighted average number of 2,352.8 million (2016: 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:

	2017		2016	
	US$m	**Earnings per share US¢**	US$m	Earnings per share US¢
Underlying profit attributable to shareholders	**969.7**	**41.21**	847.8	36.03
Non-trading items (see Note 11)	**4,615.7**		2,498.5	
Profit attributable to shareholders	**5,585.4**	**237.39**	3,346.3	142.23

11 Non-trading Items

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

	2017 US$m	2016 US$m
Change in fair value of investment properties	**4,677.9**	2,549.9
Deferred tax on change in fair value of investment properties	**(1.8)**	0.8
Gain on acquisition of a subsidiary	**3.0**	-
Asset impairment reversals	**-**	1.2
Share of results of associates and joint ventures		
- change in fair value of investment properties	**(74.5)**	(56.9)
- deferred tax	**21.4**	(1.0)
	(53.1)	(57.9)
Non-controlling interests	**(10.3)**	4.5
	4,615.7	2,498.5

12 Investment Properties

	Completed commercial properties US$m	Under development commercial properties US$m	Completed residential properties US$m	Total US$m
2017				
At 1st January	**26,665.6**	**804.2**	**242.5**	**27,712.3**
Exchange differences	**(170.9)**	**48.4**	**(0.6)**	**(123.1)**
Additions	**68.3**	**145.6**	**-**	**213.9**
Transfer	**990.7**	**(990.7)**	**-**	**-**
Increase in fair value	**4,620.4**	**39.4**	**18.1**	**4,677.9**
At 31st December	**32,174.1**	**46.9**	**260.0**	**32,481.0**
Freehold properties				**170.1**
Leasehold properties				**32,310.9**
				32,481.0
2016				
At 1st January	23,984.7	741.4	231.2	24,957.3
Exchange differences	(25.4)	(45.0)	(0.6)	(71.0)
Additions	132.6	143.4	0.1	276.1
Increase/(decrease) in fair value	2,573.7	(35.6)	11.8	2,549.9
At 31st December	26,665.6	804.2	242.5	27,712.3
Freehold properties				157.3
Leasehold properties				27,555.0
				27,712.3

The Group measures its investment properties at fair value. The fair values of the Group's investment properties at 31st December 2017 and 2016 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 [ ]. The valuations are comprehensively reviewed by the Group.

At 31st December 2017, investment properties of US$898.7 million (2016: US$676.1 million) were pledged as security for borrowings (see Note 20).

Fair value measurements of residential properties using no significant unobservable inputs

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

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 2017:

			Range of significant unobservable inputs	
	Fair value US$m	Valuation method	Prevailing market rent per month US$	Capitalisation / discount rate %
Completed properties				
Hong Kong	**30,559.8**	Income capitalisation	5.1 to 37.2 per square foot	2.75 to 5.00
Mainland China	**898.7**	Income capitalisation	96.6 per square metre	3.75
Singapore	**573.6**	Income capitalisation	7.3 to 8.8 per square foot	3.50 to 4.80
Vietnam and Cambodia	**142.0**	Discounted cash flow	21.0 to 44.8 per square metre	12.50 to 15.00
Total	**32,174.1**			

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

	2017	2016
	US$m	US$m
Unlisted associates	**306.2**	123.9
Unlisted joint ventures	**5,244.6**	4,336.8
Share of attributable net assets	**5,550.8**	4,460.7
By business		
Investment Properties	**3,517.4**	3,382.3
Development Properties	**2,033.4**	1,078.4
	5,550.8	4,460.7

	Associates		Joint ventures	
	2017	2016	**2017**	2016
	US$m	US$m	**US$m**	US$m
Movements of associates and joint ventures during the year:				
At 1st January	**123.9**	136.8	**4,336.8**	4,480.8
Exchange differences	**0.6**	(0.1)	**25.9**	13.9
Share of results after tax and non-controlling interests	**84.7**	(19.3)	**160.7**	78.4
Share of other comprehensive income/(expenses) after tax and non-controlling interests	**24.3**	(21.2)	**212.9**	(123.7)
Dividends received and receivable	**(0.9)**	(1.2)	**(94.3)**	(85.9)
Investments in and advances to/(repayments from) associates and joint ventures	**73.6**	28.9	**627.2**	(27.5)
Acquisition of a subsidiary	**-**	-	**15.9**	-
Transfer to subsidiary on further acquisiton of interest	**-**	-	**(41.2)**	-
Others	**-**	-	**0.7**	0.8
At 31st December	**306.2**	123.9	**5,244.6**	4,336.8

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 2017 and 2016:

Name of entity	**Nature of business**	**Country of incorporation / principal place of business**	**% of ownership interest 2017**	**% of ownership interest 2016**
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
2017				
Non-current assets	**1,373.2**	**3,627.6**	**2,797.3**	**2,767.4**
Current assets				
Cash and cash equivalents	**25.2**	**12.9**	**16.9**	**11.8**
Other current assets	**29.5**	**1.9**	**5.4**	**2.1**
Total current assets	**54.7**	**14.8**	**22.3**	**13.9**
Non-current liabilities				
Financial liabilities (excluding trade payables)	**-**	**(1,274.9)**	**(1,211.1)**	**(777.5)**
Other non-current liabilities (including trade payables)	**(145.5)**	**-**	**(20.9)**	**(200.4)**
Total non-current liabilities	**(145.5)**	**(1,274.9)**	**(1,232.0)**	**(977.9)**
Current liabilities				
Financial liabilities (excluding trade payables)	**-**	**(0.7)**	**(6.3)**	**(3.6)**
Other current liabilities (including trade payables)	**(47.2)**	**(62.1)**	**(35.3)**	**(48.6)**
Total current liabilities	**(47.2)**	**(62.8)**	**(41.6)**	**(52.2)**
Net assets	**1,235.2**	**2,304.7**	**1,546.0**	**1,751.2**
2016				
Non-current assets	1,373.7	3,301.5	2,546.9	2,526.1
Current assets				
Cash and cash equivalents	43.7	10.9	32.0	15.0
Other current assets	32.0	3.5	8.9	0.5
Total current assets	75.7	14.4	40.9	15.5
Non-current liabilities				
Financial liabilities (excluding trade payables)	(15.4)	(1,175.1)	(1,118.4)	(717.1)
Other non-current liabilities (including trade payables)	(143.8)	-	(19.6)	(183.6)
Total non-current liabilities	(159.2)	(1,175.1)	(1,138.0)	(900.7)
Current liabilities				
Financial liabilities (excluding trade payables)	(0.4)	(0.8)	(5.6)	(3.3)
Other current liabilities (including trade payables)	(41.7)	(63.6)	(31.4)	(47.3)
Total current liabilities	(42.1)	(64.4)	(37.0)	(50.6)
Net assets	1,248.1	2,076.4	1,412.8	1,590.3

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
2017				
Revenue	**81.3**	**150.7**	**109.4**	**118.2**
Depreciation and amortisation	**(7.6)**	**-**	**-**	**-**
Interest income	**-**	**0.1**	**0.2**	**0.1**
Interest expense	**(0.4)**	**(38.5)**	**(28.2)**	**(21.6)**
Profit from underlying business performance	**40.7**	**78.4**	**54.5**	**70.3**
Income tax expense	**(4.8)**	**(13.2)**	**(8.7)**	**(11.9)**
Profit after tax from underlying business performance	**35.9**	**65.2**	**45.8**	**58.4**
Profit after tax from non-trading items	**13.2**	**57.7**	**43.5**	**33.3**
Profit after tax	**49.1**	**122.9**	**89.3**	**91.7**
Other comprehensive income/(expense)	**(10.1)**	**169.7**	**114.5**	**128.2**
Total comprehensive income	**39.0**	**292.6**	**203.8**	**219.9**
Group's share of dividends received and receivable from joint ventures	**9.7**	**21.4**	**23.5**	**19.6**
2016				
Revenue	86.1	168.5	105.7	121.1
Depreciation and amortisation	(7.5)	(0.1)	(0.1)	-
Interest income	-	0.1	0.2	0.1
Interest expense	(0.9)	(45.8)	(29.2)	(22.3)
Profit from underlying business performance	45.1	85.1	51.2	70.9
Income tax expense	(4.9)	(14.2)	(8.5)	(11.9)
Profit after tax from underlying business performance	40.2	70.9	42.7	59.0
Profit after tax from non-trading items	(169.1)	(3.8)	(3.6)	(3.0)
Profit/(loss) after tax	(128.9)	67.1	39.1	56.0
Other comprehensive expense	(0.9)	(33.3)	(36.9)	(36.5)
Total comprehensive income/(expense)	(129.8)	33.8	2.2	19.5
Group's share of dividends received and receivable from joint ventures	11.7	27.2	17.2	19.6

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
2017				
Net assets	**1,235.2**	**2,304.7**	**1,546.0**	**1,751.2**
Shareholders' loans	**-**	**1,274.9**	**-**	**100.8**
Adjusted net assets	**1,235.2**	**3,579.6**	**1,546.0**	**1,852.0**
Interest in joint ventures (%)	**49.0**	**33.3**	**33.3**	**33.3**
Group's share of net assets in joint ventures	**605.4**	**1,193.2**	**515.3**	**617.4**
2016				
Net assets	1,248.1	2,076.4	1,412.8	1,590.3
Shareholders' loans	15.8	1,175.1	-	93.3
Adjusted net assets	1,263.9	3,251.5	1,412.8	1,683.6
Interest in joint ventures (%)	49.0	33.3	33.3	33.3
Group's share of net assets in joint ventures	619.3	1,083.8	470.9	561.2

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.

	2017 **US$m**	2016 US$m
Share of profit	**35.3**	87.3
Share of other comprehensive income/(expense)	**80.3**	(87.8)
Share of total comprehensive income/(expense)	**115.6**	(0.5)
Carrying amount of interests in these joint ventures	**2,313.3**	1,601.6

At 31st December 2017, the Group's commitments to provide funding to its joint ventures, if called, amounted to US$1,293.6 million (2016: US$404.5 million).

There were no contingent liabilities relating to the Group's interest in the joint ventures at 31st December 2017 and 2016.

14 Other Investments

	2017 **US$m**	2016 US$m
Available-for-sale financial assets		
- listed securities	**103.0**	52.2

15 Debtors

	2017	2016
	US$m	US$m
Trade debtors	**84.8**	176.9
Other debtors		
- third parties	**400.5**	323.6
- associates and joint ventures	**41.6**	39.9
	526.9	540.4
Non-current	**28.5**	60.1
Current	**498.4**	480.3
	526.9	540.4
By geographical area of operation		
Greater China	**261.9**	255.0
Southeast Asia and others	**265.0**	285.4
	526.9	540.4

Trade and other debtors excluding derivative financial instruments are stated at amortised cost. The fair value of these debtors 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 determined by reference to past default experience. 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 2017, trade debtors of US$8.0 million (2016: US$5.9 million) were past due but not impaired. The ageing analysis of these trade debtors is as follows:

	2017	2016
	US$m	US$m
Below 30 days	**5.5**	5.1
Between 31 and 60 days	**0.6**	0.4
Between 61 and 90 days	**-**	0.3
Over 90 days	**1.9**	0.1
	8.0	5.9

The risk of trade and other debtors that are neither past due nor impaired at 31st December 2017 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.

Other debtors are further analysed as follows:

Prepayments	**294.5**	207.9
Derivative financial instruments	**14.5**	44.5
Amounts due from associates and joint ventures	**41.6**	39.9
Others	**91.5**	71.2
	442.1	363.5

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
2017					
At 1st January	**0.1**	**(75.4)**	**(1.7)**	**(35.8)**	**(112.8)**
Exchange differences	**-**	**0.6**	**(0.1)**	**(2.7)**	**(2.2)**
Credited/(charged) to profit and loss	**0.4**	**(5.4)**	**(1.8)**	**16.2**	**9.4**
Charged to other comprehensive income	**-**	**-**	**-**	**4.7**	**4.7**
Acquisition of a subsidiary	**-**	**-**	**-**	**(10.5)**	**(10.5)**
At 31st December	**0.5**	**(80.2)**	**(3.6)**	**(28.1)**	**(111.4)**
Deferred tax assets	**0.5**	**-**	**-**	**15.0**	**15.5**
Deferred tax liabilities	**-**	**(80.2)**	**(3.6)**	**(43.1)**	**(126.9)**
	0.5	**(80.2)**	**(3.6)**	**(28.1)**	**(111.4)**
2016					
At 1st January	0.5	(70.3)	(2.5)	(16.6)	(88.9)
Exchange differences	-	-	-	0.4	0.4
Credited/(charged) to profit and loss	(0.4)	(5.1)	0.8	(13.3)	(18.0)
Charged to other comprehensive income	-	-	-	(6.3)	(6.3)
At 31st December	0.1	(75.4)	(1.7)	(35.8)	(112.8)
Deferred tax assets	0.1	-	-	8.6	8.7
Deferred tax liabilities	-	(75.4)	(1.7)	(44.4)	(121.5)
	0.1	(75.4)	(1.7)	(35.8)	(112.8)

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$5.0 million (2016: US$0.9 million) arising from unused tax losses of US$17.9 million (2016: US$5.0 million) have not been recognised in the financial statements. Included in the unused tax losses, US$6.6 million (2016: US$5.0 million) have no expiry date.

17 Properties for Sale

	2017 US$m	2016 US$m
Properties under development	**2,374.4**	1,968.2
Completed properties	**173.5**	262.7
	2,547.9	2,230.9
Provision for impairment	**(13.3)**	(13.5)
	2,534.6	2,217.4

At 31st December 2017, properties under development which were not scheduled for completion within the next 12 months amounted to US$1,385.8 million (2016: US$1,386.4 million).

18 Bank Balances

	2017	2016
	US$m	US$m
Deposits with banks and financial institutions	**1,345.1**	994.3
Bank balances	**277.0**	914.6
	1,622.1	1,908.9
By currency		
Chinese renminbi	**182.7**	1,010.1
Hong Kong dollar	**38.5**	21.1
Malaysian ringgit	**25.8**	0.7
Singapore dollar	**620.0**	207.7
United States dollar	**753.3**	667.3
Others	**1.8**	2.0
	1,622.1	1,908.9

Deposits and bank balances of certain subsidiaries amounting to US$45.6 million (2016: US$122.7 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 1.4% (2016: 1.2%) per annum.

19 Creditors

	2017	2016
	US$m	US$m
Trade creditors	**482.0**	403.0
Other creditors	**185.9**	130.3
Tenants' deposits	**253.5**	222.6
Derivative financial instruments	**16.3**	7.6
Rent received in advance	**22.1**	19.9
Proceeds from properties for sale received in advance	**772.0**	737.2
	1,731.8	1,520.6
Non-current	**36.9**	30.3
Current	**1,694.9**	1,490.3
	1,731.8	1,520.6
By geographical area of operation		
Greater China	**1,142.1**	854.8
Southeast Asia and others	**589.7**	665.8
	1,731.8	1,520.6

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

	2017		2016	
	Carrying amount	**Fair value**	Carrying amount	Fair value
	US$m	**US$m**	US$m	US$m
Current				
Bank overdrafts	**5.5**	**5.5**	10.5	10.5
Bank loans	**5.0**	**5.0**	-	-
Current portion of long-term borrowings				
- bank loans	**180.1**	**180.1**	175.1	175.1
- notes	**-**	**-**	35.1	35.1
	190.6	**190.6**	220.7	220.7
Long-term				
Bank loans	**1,127.0**	**1,127.0**	838.0	838.0
Notes	**2,853.3**	**2,975.1**	2,857.7	2,929.6
	3,980.3	**4,102.1**	3,695.7	3,767.6
	4,170.9	**4,292.7**	3,916.4	3,988.3
Secured	**392.9**		264.7	
Unsecured	**3,778.0**		3,651.7	
	4,170.9		3,916.4	

The fair values are based on market prices or are estimated using the expected future payments discounted at market interest rates ranging from 1.5% to 6.5% (2016: 1.4% to 6.2%) 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 2017 and 2016 were certain subsidiaries' bank borrowings which were secured against their investment properties.

The borrowings are further summarised as follows:

	Fixed rate borrowings				
	Weighted average interest rates	**Weighted average period outstanding**		**Floating rate borrowings**	**Total**
	%	**Years**	**US$m**	**US$m**	**US$m**
By currency					
2017					
Hong Kong dollar	**3.6**	**7.6**	**1,987.8**	**1,165.4**	**3,153.2**
Singapore dollar	**2.5**	**2.2**	**188.8**	**430.6**	**619.4**
Chinese renminbi	**4.9**	**-**	**-**	**392.9**	**392.9**
Others	**2.4**	**-**	**-**	**5.4**	**5.4**
			2,176.6	**1,994.3**	**4,170.9**
2016					
Hong Kong dollar	3.5	8.6	1,996.4	1,288.1	3,284.5
Singapore dollar	2.8	3.2	181.0	180.6	361.6
Chinese renminbi	5.0	-	-	264.7	264.7
Others	2.9	-	-	5.6	5.6
			2,177.4	1,739.0	3,916.4

20 **Borrowings** continued

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

The movements in borrowings are as follows:

	Bank overdrafts US$m	Long-term borrowings US$m	Short-term borrowings US$m	Total US$m
2017				
At 1st January	**10.5**	**3,695.7**	**210.2**	**3,916.4**
Exchange differences	**-**	**22.6**	**1.3**	**23.9**
Transfer	**-**	**(180.3)**	**180.3**	**-**
Change in fair value	**-**	**(2.9)**	**(0.5)**	**(3.4)**
Change in bank overdrafts	**(5.0)**	**-**	**-**	**(5.0)**
Drawdown of borrowings	**-**	**817.7**	**7.4**	**825.1**
Repayment of borrowings	**-**	**(372.5)**	**(213.6)**	**(586.1)**
At 31st December	**5.5**	**3,980.3**	**185.1**	**4,170.9**
2016				
At 1st January	3.3	3,740.7	165.6	3,909.6
Exchange differences	-	(20.9)	1.8	(19.1)
Transfer	-	(205.3)	205.3	-
Change in fair value	-	(7.4)	-	(7.4)
Change in bank overdrafts	7.2	-	-	7.2
Drawdown of borrowings	-	261.7	5.0	266.7
Repayment of borrowings	-	(73.1)	(167.5)	(240.6)
At 31st December	10.5	3,695.7	210.2	3,916.4

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

	2017 US$m	2016 US$m
Within one year	**1,994.3**	1,739.0
Between one and two years	**102.3**	-
Between two and three years	**239.8**	103.1
Between three and four years	**-**	232.3
Between four and five years	**265.3**	-
Beyond five years	**1,569.2**	1,842.0
	4,170.9	3,916.4

20 Borrowings continued

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

Medium term notes	Maturity	2017 Non-current US$m	2016 Current US$m	2016 Non-current US$m
S$50m 8-year notes at 3.86%	2017	**-**	35.1	-
HK$200m 10-year notes at 4.135%	2019	**25.5**	-	25.7
HK$300m 10-year notes at 4.1875%	2019	**38.4**	-	38.7
HK$300m 10-year notes at 4.25%	2019	**38.4**	-	38.7
HK$500m 10-year notes at 4.22%	2020	**66.2**	-	67.3
HK$500m 10-year notes at 4.24%	2020	**63.9**	-	64.4
S$150m 10-year notes at 3.43%	2020	**112.0**	-	103.6
HK$500m 10-year notes at 3.95%	2020	**63.9**	-	64.3
HK$500m 12-year notes at 4.28%	2021	**66.4**	-	66.8
HK$410m 10-year notes at 3.86%	2022	**52.2**	-	52.6
US$500m 10-year notes at 4.50%*	2022	**488.7**	-	487.7
HK$305m 10-year notes at 3.00%	2022	**38.8**	-	39.1
HK$200m 10-year notes at 2.90%	2022	**25.5**	-	25.7
HK$1,100m 10-year notes at 3.95%	2023	**140.0**	-	141.0
HK$300m 10-year notes at 3.95%	2023	**38.2**	-	38.5
US$400m 10-year notes at 4.625%*	2024	**402.7**	-	405.5
HK$300m 15-year notes at 4.10%	2025	**38.3**	-	38.5
US$600m 15-year notes at 4.50%*	2025	**611.9**	-	613.3
HK$302m 15-year notes at 3.75%	2026	**38.3**	-	38.6
HK$785m 15-year notes at 4.00%	2027	**99.0**	-	99.6
HK$473m 15-year notes at 4.04%	2027	**60.4**	-	60.8
HK$200m 15-year notes at 3.95%	2027	**25.5**	-	25.7
HK$300m 15-year notes at 3.15%	2028	**37.9**	-	38.1
HK$325m 15-year notes at 4.22%	2028	**41.3**	-	41.6
HK$400m 15-year notes at 4.40%	2029	**50.5**	-	50.9
HK$800m 20-year notes at 4.11%	2030	**102.3**	-	103.2
HK$200m 20-year notes at 4.125%	2031	**25.2**	-	25.4
HK$240m 20-year notes at 4.00%	2032	**30.1**	-	30.3
HK$250m 30-year notes at 5.25%	2040	**31.8**	-	32.1
		2,853.3	35.1	2,857.7

* Listed on the Singapore Exchange.

21 Share Capital

	Ordinary shares in millions 2017	Ordinary shares in millions 2016	2017 US$m	2016 US$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

	2017 US$m	2016 US$m
Final dividend in respect of 2016 of US¢13.00 (2015: US¢13.00) per share	**305.8**	305.8
Interim dividend in respect of 2017 of US¢6.00 (2016: US¢6.00) per share	**141.2**	141.2
	447.0	447.0

A final dividend in respect of 2017 of US¢14.00 (2016: US¢13.00) per share amounting to a total of US$329.4 million (2016: US$305.8 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 2018.

23 Cash and cash equivalents

	2017 US$m	2016 US$m
Bank balances	**1,622.1**	1,908.9
Bank overdrafts (see Note 20)	**(5.5)**	(10.5)
	1,616.6	1,898.4

24 Derivative Financial Instruments

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

	2017		2016	
	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				
- cross currency swaps	**4.8**	**7.7**	28.0	-
Designated as fair value hedges				
- interest rate swaps	**2.5**	**-**	2.9	-
- cross currency swaps	**7.2**	**8.6**	13.6	7.6

Interest rate swaps
The notional principal amounts of the outstanding interest rate swap contracts at 31st December 2017 were US$64.0 million (2016: US$99.1 million).

The fair values of interest rate swaps are based on the estimated cash flows discounted at market rates ranging from 1.3% to 2.0% (2016: 1.0% to 2.3%) per annum.

Cross currency swaps
The contract amounts of the outstanding cross currency swap contracts at 31st December 2017 were US$1,647.9 million (2016: US$1,636.9 million).

25 Commitments

	2017 US$m	2016 US$m
Capital commitments		
Authorised not contracted	**23.4**	81.8
Contracted not provided		
- contributions to joint ventures	**1,293.6**	404.5
- others	**48.6**	136.7
	1,342.2	541.2
	1,365.6	623.0
Operating lease commitments		
Due within one year	**3.5**	2.6
Due between one and two years	**2.5**	1.5
Due between two and five years	**3.8**	1.3
	9.8	5.4

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 2017 was US$4.9 million (2016: US$4.2 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 2017 amounted to US$21.2 million (2016: US$20.2 million).

The Group provided consultancy services to Jardine Matheson group members in 2017 amounting to US$0.2 million (2016: US$0.4 million).

Jardine Matheson group members provided property maintenance and other services to the Group in 2017 in aggregate amounting to US$63.9 million (2016: US$53.7 million).

Hotel management services
Jardine Matheson group members provided hotel management services to the Group in 2017 amounting to US$3.4 million (2016: US$2.4 million).

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

Directors' emoluments
Details of Directors' emoluments (being the key management personnel compensation) are shown on page [ ] 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.

	2017	2016
	US$m	US$m
Net operating assets		
Investments at cost		
Unlisted shares in subsidiaries	**4,481.7**	4,481.7
Amounts due from subsidiaries	**1,473.8**	1,371.4
	5,955.5	5,853.1
Creditors and other accruals	**(26.8)**	(23.7)
	5,928.7	5,829.4
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	**3,056.9**	2,957.6
	5,693.4	5,594.1
Shareholders' funds	**5,928.7**	5,829.4

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 2017 are set out below.

	Attributable interests 2017	Attributable interests 2016	Issued share capital		Main activities	Place of incorporation
	%	%				
Subsidiaries						
Hongkong Land China Holdings Ltd*	**100**	100	USD	200,000,000	Investment holding	Bermuda
Hongkong Land International Holdings Ltd*	**100**	100	USD	200,000,000	Investment holding	Bermuda
Hongkong Land Ltd*	**100**	100	USD	12,000	Group management	Bermuda
The Hongkong Land Company, Ltd	**100**	100	HKD	1,293,180,006	Investment holding	Hong Kong
The Hongkong Land Property Company, Ltd	**100**	100	HKD	200	Property investment	Hong Kong
HKL (Chater House) Ltd	**100**	100	HKD	1,500,000	Property investment	Hong Kong
HKL (Landmark Hotel) Ltd	**100**	100	HKD	2	Hotel investment	Hong Kong
HKL (Prince's Building) Ltd	**100**	100	HKD	200	Property investment	Hong Kong
Hongkong Land (HK) Investments Ltd	**100**	-	HKD	2,102,106,003	Investment holding	Hong Kong
Mulberry Land Company Ltd	**100**	100	HKD	200	Property investment	Hong Kong
Hongkong Land (Chongqing) Development Co Ltd	**100**	100	USD	479,990,000	Property development	Mainland China
Hongkong Land (Chongqing North) Development Co Ltd	**100**	100	HKD	3,980,000,000	Property development	Mainland China
Hongkong Land (Chongqing) Investment and Holding Co Ltd	**100**	-	USD	30,000,000	Investment holding	Mainland China
Hongkong Land (Chonqqing) Xinchen Development Co Ltd	**100**	-	RMB	20,000,000	Property development	Mainland China
Wangfu Central Real Estate Development Co Ltd	**84**	84	RMB	3,500,000,000	Property investment	Mainland China
HKL (Esplanade) Pte Ltd	**100**	100	SGD	150,000,000	Property investment	Singapore
HKL Treasury (Singapore) Pte Ltd	**100**	100	SGD	2	Finance	Singapore
The Hongkong Land Treasury Services (Singapore) Pte Ltd	**100**	100	SGD	2	Finance	Singapore
MCL Land Limited	**100**	100	SGD	511,736,041	Investment holding	Singapore
MCL Land (Brighton) Pte Ltd	**100**	100	SGD	1,000,000	Property development	Singapore
MCL Land (Everbright) Pte Ltd	**100**	-	SGD	1	Property development	Singapore
MCL Land (Regency) Pte Ltd	**100**	100	SGD	3,000,000	Property development	Singapore
MCL Land (Vantage) Pte Ltd	**100**	100	SGD	1,000,000	Property development	Singapore
Hongkong Land (Premium Development) Ltd	**100**	-	Riels	4,000,000	Property investment	Cambodia
Golden Quantum Acres Sdn Bhd	**100**	50	MYR	2,764,210	Property development	Malaysia
MCL Land (Pantai View) Sdn Bhd	**100**	100	MYR	2,260,000	Property investment	Malaysia

* Owned directly

29 Principal Subsidiaries, Associates and Joint Ventures continued

	Attributable interests 2017	2016	Issued share capital		Main activities	Place of incorporation
	%	%				
Subsidiaries continued						
MCL Land (Malaysia) Sdn Bhd	**100**	50	MYR	4,000,000	Property development	Malaysia
Central Building Ltd	**65**	65	USD	1,991,547	Property investment	Vietnam
Doan Ket International Co Ltd	**73.9**	73.9	USD	7,291,500	Property investment	Vietnam
HKL (Treasury Services) Ltd	**100**	100	USD	1	Finance	British Virgin
The Hongkong Land Notes Co Ltd	**100**	100	USD	2	Finance	British Virgin
The Hongkong Land Finance (Cayman Islands) Co Ltd	**100**	100	USD	2	Finance	Cayman Islands
Associates and joint ventures						
Normelle Estates Ltd	**50**	50	HKD	10,000	Property investment	Hong Kong
Properties Sub F, Ltd	**49**	49	MOP	1,000,000	Property investment	Macau
Beijing Landmark Trinity Real Estate Development Co Ltd	**30**	30	RMB	2,800,000,000	Property development	Mainland China
Beijing Premium Real Estate Ltd	**40**	40	USD	12,000,000	Property development	Mainland China
Chongqing Central Park Co Ltd	**50**	50	HKD	4,640,000,000	Property development	Mainland China
Chongqing Lijia Development Co Ltd	**50**	-	RMB	20,000,000	Property development	Mainland China
Chengdu Premium Property Development Co Ltd	**50**	50	USD	699,980,000	Property development	Mainland China
China West Premier Housing Development Co Ltd	**50**	50	USD	569,960,000	Property development	Mainland China
Hangzhou Kesheng Property Development Co Ltd	**30**	-	RMB	50,000,000	Property development	Mainland China
Hangzhou Keyi Property Development Co Ltd	**30**	-	RMB	50,000,000	Property development	Mainland China
Longfor Hongkong Land (Chongqing) Development Co Ltd	**50**	50	RMB	1,275,920,000	Property development	Mainland China
Longhu Land Ltd	**50**	50	USD	27,000,000	Property development	Mainland China
Nanjing Shengxiangyuan Property Development Co Ltd	**33**	-	RMB	30,000,000	Property development	Mainland China
Shanghai Xujing Property Co Ltd	**50**	50	RMB	4,200,000,000	Property development	Mainland China
Wuhan Dream Land Investment and Development Co Ltd	**50**	-	RMB	1,200,000,000	Property development	Mainland China
BFC Development LLP	**33.3**	33.3	SGD	N/A	Property investment	Singapore
Central Boulevard Development Pte Ltd	**33.3**	33.3	SGD	6	Property investment	Singapore
One Raffles Quay Pte Ltd	**33.3**	33.3	SGD	6	Property investment	Singapore
PT Astra Modern Land	**33.5**	-	IDR	3,870,000,000,000	Property development	Indonesia

29 Principal Subsidiaries, Associates and Joint Ventures continued

	Attributable interests 2017 %	2016 %	Issued share capital		Main activities	Place of incorporation
Associates and joint ventures continued						
PT Brahmayasa Bahtera	**40**	40	IDR	166,000,000,000	Property development	Indonesia
PT Bumi Parama Wisesa	**49**	49	IDR	1,950,000,000,000	Property development	Indonesia
PT Jakarta Land	**50**	50	IDR	3,320,000,000	Property investment	Indonesia
Sunrise MCL Land Sdn Bhd	**50**	50	MYR	2,000,000	Property development	Malaysia
NorthPine Land Inc	**40**	40	Peso	1,224,635,200	Property development	The Philippines
Roxas Land Corporation	**40**	40	Peso	3,133,000,000	Property development	The Philippines
Gaysorn Land Co Ltd	**49**	49	THB	61,250,000	Property investment	Thailand
S36 Property Co Ltd	**49**	-	THB	310,000,000	Property development	Thailand
Nassim JV Co Ltd	**50**	50	VND	286,200,000,000	Property development	Vietnam
Jardine Gibbons Properties Ltd	**40**	40	BD	600,000 'A' 400,000 'B'	Property investment	Bermuda