



**Jardines**

**JARDINE  
MATHESON**

ANNUAL REPORT 2018



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Jardine Matheson is a diversified Asian-based group with unsurpassed experience in the region, having been founded in China in 1832. We comprise a broad portfolio of market-leading businesses, which represent a combination of cash generating activities and long-term property assets and are closely aligned to the increasingly prosperous consumers of the region.

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### Where we operate

We operate principally in Greater China and Southeast Asia, where our subsidiaries and affiliates can leverage and tap our vast experience, expertise, networks, and long-standing relationships in the region. Our goal is to help Group companies achieve sustainable growth over the long term by providing financial and other resources.

### Our operations

Across the Group, our 469,000 employees work in a wide range of businesses in major sectors including motor vehicles and related operations, property investment and development, food retailing, home furnishings, engineering and construction, transport services, insurance broking, restaurants, luxury hotels, financial services, heavy equipment, mining and agribusiness.

### Our philosophy

Principled leadership, long-term perspective, innovative thinking and a commitment to mutual growth that inspires us. They also underpin our businesses which provide products, services, and experiences that impact the lives of many millions every day. These values also apply in our workspaces, where we strive to provide positive, safe working environments. We are also committed to improving communities through programmes that make a difference in environmental stewardship, education, mental health and more.

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### [www.jardines.com](http://www.jardines.com)

for more information

Jardine Matheson Holdings Limited is incorporated in Bermuda and has a standard listing on the London Stock Exchange, with secondary listings in Bermuda and Singapore. Jardine Matheson Limited operates from Hong Kong and provides management services to Group companies.

#### **Jardine Matheson Holdings Limited**

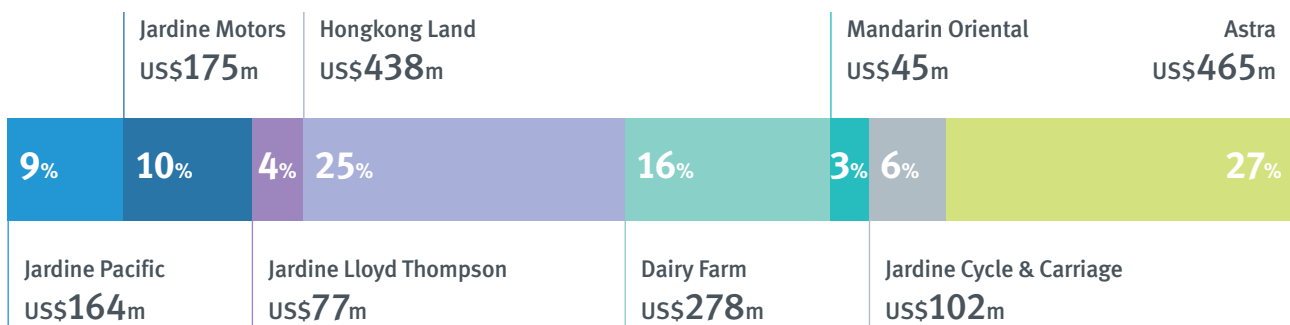
Jardine House  
Hamilton  
Bermuda

## Highlights

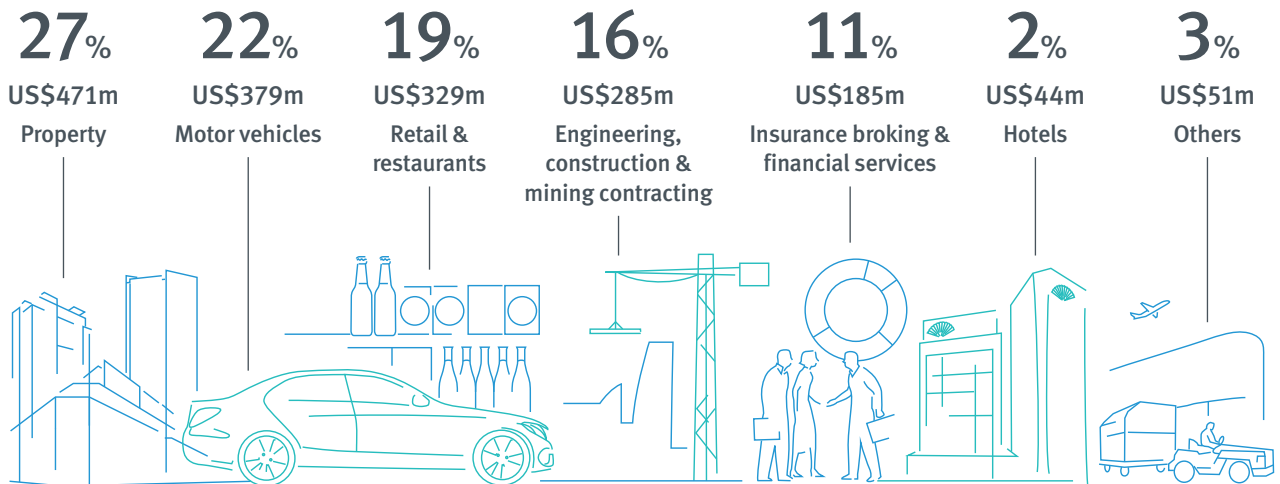
- Underlying earnings per share up 10%
- Full-year dividend up 6%
- Astra, Hongkong Land and Jardine Cycle & Carriage performed well
- Dairy Farm Food business restructuring and repositioning announced
- Conditional sale of Jardine Lloyd Thompson

### Analysis of Underlying Profit of US\$1,703m

#### By Business\*



#### By Sector\*



#### By Geographical Area\*



## 2018 Financial Highlights

**US\$92,348m**

Gross revenue

**US\$4,931m**

Underlying profit before tax

**US\$86,258m**

Total assets

**469,000**

People employed

**US\$26,342m**

Shareholders' funds

**US\$1,703m**

Underlying profit attributable to shareholders

**US\$5,950m**

Net debt<sup>#</sup>

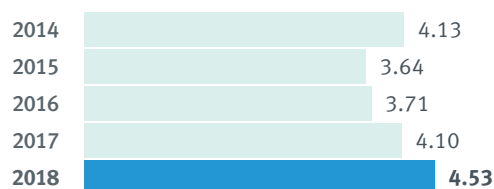
**US\$12,249m**

Total capital investment<sup>†</sup>

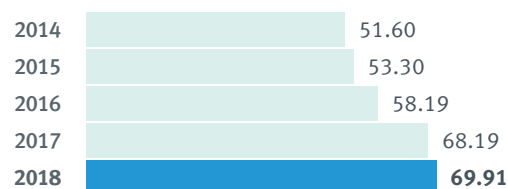
## Results

	2018 US\$m	2017 US\$m restated <sup>d</sup>	Change %
Gross revenue including 100% of associates and joint ventures	<b>92,348</b>	83,001	11
Revenue	<b>42,527</b>	38,748	10
Underlying profit before tax <sup>o</sup>	<b>4,931</b>	4,302	15
Underlying profit attributable to shareholders <sup>o</sup>	<b>1,703</b>	1,543	10
Profit attributable to shareholders	<b>1,732</b>	3,943	(56)
Shareholders' funds	<b>26,342</b>	25,659	3
	US\$	US\$	%
Underlying earnings per share <sup>o</sup>	<b>4.53</b>	4.10	10
Earnings per share	<b>4.60</b>	10.48	(56)
Dividends per share	<b>1.70</b>	1.60	6
Net asset value per share	<b>69.91</b>	68.19	3

### Underlying Earnings per Share (US\$)



### Net Asset Value per Share (US\$)



<sup>\*</sup> Based on underlying profit attributable to shareholders before corporate and other interests.

<sup>#</sup> Excluding net debt of financial services companies.

<sup>†</sup> Including expenditure on properties for sale and associates and joint ventures.

<sup>d</sup> Restated due to changes in accounting policies upon adoption of IFRS 9 'Financial Instruments' and IFRS 15 'Revenue from Contracts with Customers' as set out in note 1 to the financial statements.

<sup>o</sup> The Group uses 'underlying profit' in its internal financial reporting to distinguish between ongoing business performance and non-trading items, as more fully described in note 38 to the financial statements. Management considers this to be a key measure which provides additional information to enhance understanding of the Group's underlying business performance.

# Chairman's Statement

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## Ben Keswick

Chairman & Managing Director

After a good performance in 2018 driven primarily by Astra, Hongkong Land and Jardine Cycle & Carriage, we expect the Group to face more challenging conditions in 2019 due to economic uncertainties affecting consumer sentiment and commodity prices.

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### Overview

The Jardine Matheson Group produced a good overall result for the year, with underlying net profit up 10% compared with the prior year. There were strong performances from Astra and Hongkong Land, as well as an improved performance from Jardine Cycle & Carriage's non-Astra businesses, while Jardine Pacific, Jardine Motors and Dairy Farm were relatively flat against the prior year.

### Performance

The Group's gross revenue for 2018, including 100% of revenue from associates and joint ventures, rose by 11% from US\$83.0 billion to US\$92.3 billion, while the Group's consolidated revenue for 2018 was US\$42.5 billion, an increase of 10%. Underlying profit before tax for the year was up 15% at US\$4,931 million. The underlying profit attributable to shareholders increased by 10% to US\$1,703 million, with underlying earnings per share also 10% higher at US\$4.53.

Net profit including non-trading items for the year was US\$1,732 million, which included the Group's US\$613 million share of the net gain in property valuations – principally arising from Hongkong Land's investment properties in Hong Kong – offset by the Group's US\$296 million share of a restructuring charge in respect of Dairy Farm's Southeast Asia Food business and a net loss of US\$316 million due to unrealised fair value losses related to non-current investments. This compares with US\$3,943 million in 2017, which reflected the Group's US\$1,949 million share of increases in property valuations and US\$451 million of other net non-trading gains.

Within the Group's businesses, Jardine Pacific saw higher contributions from Jardine Schindler and JEC, and a steady performance at Gammon, offset by weaker performances by Jardine Restaurants and HACTL. There was a higher contribution from the interest in Greatview, which was acquired in June 2017. Jardine Motors' business in Hong Kong and Macau produced steady earnings, but weaker performances were recorded in mainland China and the United Kingdom. Jardine Lloyd Thompson delivered both revenue and profit growth, with particularly good organic growth in its Global Specialty division.

Hongkong Land produced a record performance with continuing earnings strength from investment properties. The contribution from development properties in mainland China was broadly in line with last year, while higher profits were recognised in Singapore.

At Dairy Farm, while results in four out of five business formats showed improvement, the structural challenges in Food continued to erode performance at an increased rate. Overall sales increased and underlying net profit was up from the prior year, which had included costs incurred for the exit from various underperforming stores and stock clearance in the Southeast Asia Food business. Results in 2018 benefitted from particularly strong results from the Health and Beauty business and an increased contribution from Convenience stores, which were offset by further deterioration in performance from the Food business led by the supermarket and hypermarket formats. A significant (largely non-cash) restructuring charge was incurred in respect of the Southeast Asia Food business following the completion of a detailed strategic review, which concluded that Southeast Asia Food was not viable in its current form.

Underlying profit  
attributable to  
shareholders

 10%

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Mandarin Oriental delivered a good performance for the year, notably in Hong Kong and Singapore. Mandarin Oriental Hyde Park, London is on schedule to reopen fully in April 2019.

In Southeast Asia, Jardine Cycle & Carriage saw an improvement in its performance over the prior year, with strong results in its Direct Motor Interests and Other Strategic Interests. Thaco performed well, due mainly to higher unit sales and improved margins. There was an increase in profits at Siam City Cement due to an improved domestic performance and lower one-off expenses, and Jardine Cycle & Carriage received a first full year of dividends in respect of its stake in Vinamilk.

Astra achieved record results in local currency terms in 2018 and grew its revenues and income over 2017, with increased contributions from its heavy equipment, mining, construction and energy, and financial services businesses, which more than offset a lower contribution from the agribusiness segment. Astra continues to expand in the toll roads, energy, minerals and property areas and is also now focussing on providing digital financial services.

The Group's financial position remains strong with shareholders' funds up 3% at US\$26.3 billion at the year end. Consolidated net debt excluding financial services companies was US\$5.9 billion at 31st December 2018, representing gearing of 10%, up from 6% at the end of 2017 due to investments in the year by its businesses, including Hongkong Land projects and the acquisition of a gold mine in Indonesia by United Tractors.

The Board is recommending a final dividend of US\$1.28 per share, which produces a full-year dividend of US\$1.70 per share, up 6% from the prior year.

**Full-year  
dividend**

 **6%**

## Strategic Developments

The Group has a unique advantage in having a strong presence in two of the fastest growing regions in the world: Greater China and Southeast Asia.

Greater China provides the largest contribution to the Group, underpinned by the Group's significant presence in Hong Kong. Mainland China is also a key market for the Group, making a 15% contribution to profits in the year, and the Group is focused on growing its businesses there further. Hongkong Land is making good progress in finding new development sites there, with a total of six new sites secured in 2018. WF CENTRAL, its luxury retail and hotel complex in Beijing, which was opened in late 2017, is performing in line with expectations and the Mandarin Oriental in Beijing is scheduled to open in the coming weeks. The Group's affiliates in mainland China, Zhongsheng and Yonghui, both had a very good year in their underlying businesses.

Southeast Asia is the other area of key focus for the Group. During the year Astra made a US\$150 million investment in GOJEK, Indonesia's leading multi-platform technology group, in order to accelerate the group's digital initiatives. Astra also formed a joint venture in June 2018 with WeLab to provide mobile lending products. Hongkong Land secured six new projects in the region, in Indonesia, Thailand, Singapore and the Philippines.

In both mainland China and Southeast Asia, the Group is fortunate that significant long-term consumption growth is forecast, particularly from the growing and increasingly affluent middle class. This plays to the strengths of the Group's businesses, which are associated with some of the world's top brands.

To take advantage of this, the Group continues to invest for growth and to pursue its strategy of building significant stakes in strong companies that are benefitting from the opportunities offered by the economic development of the region and the growth of the middle classes. The Group's aim is to be the partner of choice for associates or joint ventures and to grow those businesses over time by developing strong relationships which add value through the Group's role as a supportive shareholder to entrepreneurs or leading management teams.

The sale of the Group's interest in Jardine Lloyd Thompson to Marsh & McLennan Companies is expected to complete in Spring 2019, conditional upon regulatory approvals. The proceeds of some US\$2 billion from this sale will further enhance the Group's ability to take advantage of opportunities in its core markets across Asia.

Following the completion of a detailed strategic review by Dairy Farm, a transformation programme is now underway and, given its scale and complexity, is likely to take several years to complete. A new leadership team, including enhanced functional leadership in key disciplines, is in place and is implementing a series of strategic business priorities, including reorganising the businesses into a new streamlined and centralised structure with North Asia and Southeast Asia Divisions. Decisive action is also being taken to transform the supermarket and hypermarket business, especially in Southeast Asia, in order to reset and reposition it so that it can compete more effectively.

Dairy Farm's investment in key strategic partnerships also continues to deliver good returns, with Maxim's and Yonghui both enjoying sales growth and profit expansion in their core operations during the year. The group also entered into a partnership with Robinsons Retail in the Philippines and took full ownership of Rose Pharmacy.

### Net asset value per share

 3%

Following a review by Mandarin Oriental of the strategic options for the future of The Excelsior in Hong Kong, the decision has been taken to close the hotel from 31st March 2019 and redevelop it as a commercial property, with the project expected to complete in 2025. The group signed and announced seven new management contracts in the year. In 2019 the group has opened its first two hotels in the Middle East, in Doha and Dubai.

The group's first property in Beijing, Mandarin Oriental Wangfujing, is expected to open in the coming weeks as well as potentially a second hotel in Beijing in the next 12 months.

Our existing businesses remain focused on accelerating the transition to the digital economy. The Group is also benefitting from the increasing adoption of technology to support internal initiatives, as it focuses on meeting its customers' expectations as they change and providing them with the best possible service.

### People

The strong performances across our businesses in 2018 are a reflection of the hard work, dedication and professionalism of the Group's 469,000 employees, for which we are most grateful.

We welcomed Julian Hui to the Board in May 2018. Dr Richard Lee retired from the Board at the Company's Annual General Meeting in May. We would like to thank him for his contribution to the Company. We are very pleased that Stuart Gulliver has joined the Board with effect from 1st January 2019.

Sir Henry Keswick retired from the Board on 31st December 2018. We would like to record our gratitude for the significant contribution he made over many decades, through his experience, insight and advice, to the development of the Group.

### Outlook

After a good performance in 2018 driven primarily by Astra, Hongkong Land and Jardine Cycle & Carriage, we expect the Group to face more challenging conditions in 2019 due to economic uncertainties affecting consumer sentiment and commodity prices.



## Jardine Matheson Group Businesses at a Glance

### Jardine Matheson

The listed holding company of the Group which oversees a portfolio of market-leading businesses and supports their long-term development. It holds an 84% interest in Jardine Strategic, a listed company holding most of the Group's major listed interests, including 58% of Jardine Matheson.



Jardine Pacific's diverse portfolio comprises industry leaders in the areas of engineering and construction, airport and transport services, restaurants and IT. Its companies seek to deliver excellent performance and best in class service to their customers and to create value for their business partners and shareholders. (100%)\*



Jardine Motors is engaged in the sales and service of motor vehicles and related activities. It has operations in Hong Kong, Macau and the United Kingdom, and a large and growing presence in Southern China. It combines a customer-oriented approach with first class products and services. (100%)\*



Jardine Lloyd Thompson is one of the world's leading providers of insurance, reinsurance and employee benefits related advice, brokerage and associated services. A UK-listed group, its deep specialist knowledge and entrepreneurial culture give it the insights and creative freedom to go beyond the routine and deliver better results for its clients. (41%)\*



Hongkong Land is a major listed property investment, management and development group that operates under the principles of excellence, integrity and partnership. Its more than 850,000 sq. m. of prime office and retail space in Hong Kong, Singapore, Beijing, Jakarta and other major Asian cities attracts the world's foremost companies and luxury brands. The group also has a number of high quality residential, commercial and mixed-use projects under development in cities across Greater China and Southeast Asia. (50%)†



Dairy Farm is a leading listed Pan-Asian multi-brand retailer that is active across four divisions, being Food (including supermarkets, hypermarkets and convenience stores), Health and Beauty, Home Furnishings and Restaurants. The group aims to provide quality and value to Asian consumers by offering leading brands, a compelling retail experience and great service, all provided through a strong store network supported by efficient supply chains. (78%)†



Mandarin Oriental is an international hotel investment and management group with deluxe and first class hotels, resorts and residences in sought-after destinations. The group operates 32 hotels and six residences in 23 countries and territories, and has a strong pipeline of properties under development. As an innovative industry leader, the group is committed to exceeding its guests' expectations through exceptional levels of hospitality. (78%)†



Jardine Cycle & Carriage is a leading Singapore-listed company. In addition to holding just over 50% in Astra, it is focused on growing its portfolio of automotive and other strategic interests in Southeast Asia, including in Indonesia, Vietnam, Singapore, Thailand, Malaysia and Myanmar. The businesses include motor dealerships, financial services, dairy, cement, engineering and property. (75%)†



Astra is an Indonesia-based company engaged in seven business sections: Automotive; Financial Services; Heavy Equipment, Mining, Construction & Energy; Agribusiness; Infrastructure and Logistics; Information Technology; and Property. With more than 224 subsidiaries, associated companies and other entities, and over 226,000 employees, it is one of Indonesia's largest companies. Astra is also renowned for its 'Catur Dharma' corporate philosophy that underpins its extensive community programmes supporting education, the environment, sustainability, SMEs and healthcare. Jardine Cycle & Carriage has a shareholding of just over 50% in Astra.

\* Figures in brackets show effective ownership by Jardine Matheson as at 28th February 2019.

† Figures in brackets show effective ownership by Jardine Strategic as at 28th February 2019.

## Business Review

The Group's strong cash flows have supported continued investment, enabling high levels of capital expenditure to be combined with low levels of debt.

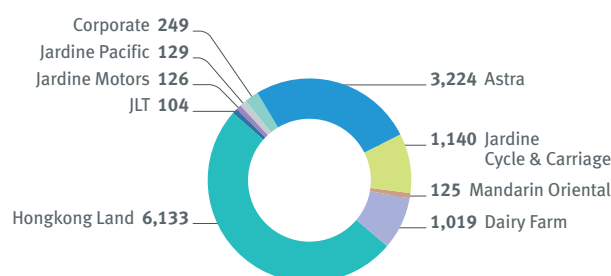
Jardine Matheson is a diversified group of market-leading operations focused principally on two of the regions that are driving global growth, Greater China and Southeast Asia. In 2018, 56% of underlying profit came from Greater China, while 40% was from Southeast Asia. The main contributors to underlying profit by activity were property at 27%, motor related interests at 22% and retailing and restaurants at 19%.

The Group's strong cash flows have supported continued investment, enabling high levels of capital expenditure to be combined with low levels of debt. The Group's capital investment, including expenditure on properties for sale, was US\$7.6 billion in 2018, in addition to which capital investment at its associates and joint ventures exceeded US\$4.6 billion.

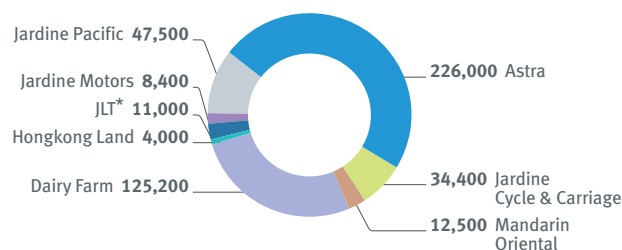
In addition, the Group provides access to financial resources, expertise, people and customers necessary to support the development of its businesses and enable them to compete effectively in rapidly evolving operating environments. There is also a strong focus on taking advantage of developments in technology in order to ensure that the Group's businesses keep pace with changing consumer expectations.

The Group's strategy, strong financial position and investment in the development of existing businesses and new areas of activity provide the foundation for profit growth over the long term.

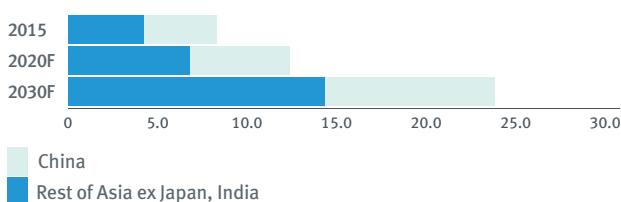
### Total Capital Investment of US\$12.2 billion (US\$ million)



### 469,000 Employees by Business Units



### Forecast middle class consumption in Asia# (US\$ trillion)



\* It reflects the number as of 30th June 2018.

# Calculated at purchasing power parity in 2011 pricing in US dollars, published in 2017 by Kharas, Brookings Institution.

# Jardine Pacific

- Underlying profit slightly higher than prior year
- Good performances from Jardine Schindler and JEC
- First full year contribution from Greatview

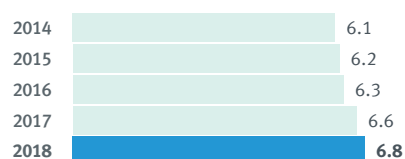
	2018	2017 restated	Change (%)
Gross revenue (including 100% of associates and joint ventures) (US\$billion)	6.8	6.6	3
Underlying profit attributable to shareholders (US\$million)	164	162	1

Jardine Pacific produced an underlying net profit of US\$164 million, which was slightly higher than 2017. The net profit after non-trading gains was US\$187 million.

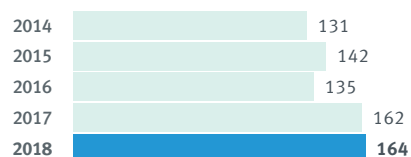
Jardine Schindler and JEC both performed well, with JEC seeing strong profit growth from its Hong Kong engineering operations. Gammon's performance was broadly in line with last year and its order book remains strong. Jardine Restaurants reported a lower result overall due to challenging trading conditions in Taiwan and Vietnam which more than offset an improved performance in Hong Kong. HACTL's results were impacted by the loss of a significant customer but cargo throughput growth was in line with market.

Hong Kong-listed Greatview, in which a 28% stake was acquired by Jardine Strategic in June 2017, saw steady growth in both mainland China and internationally.

## Gross Revenue\* (US\$ billion)

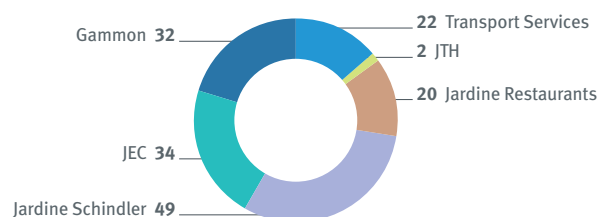


## Underlying Profit Attributable to Shareholders\* (US\$ million)



\* 2017 figures are restated.

## Underlying Profit by Business (excluding Corporate & Other Interests) (US\$ million)



# Jardine Motors

- Underlying profit slightly down on prior year
- Strong new car sales in Hong Kong and Macau
- Lower results in the United Kingdom and mainland China

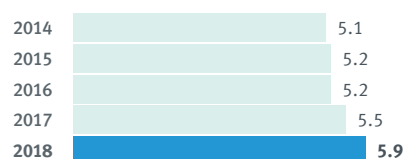
	2018	2017	Change (%)
Revenue (US\$ billion)	5.9	5.5	7
Underlying profit attributable to shareholders (US\$ million)	175	184	(5)

Jardine Motors produced an underlying net profit in 2018 of US\$175 million, 5% lower than the same period in 2017. After taking into account non-trading gains, the net profit was US\$177 million.

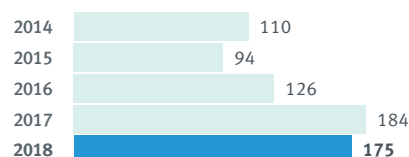
Zung Fu in mainland China reported lower profit due to reduced margins despite higher new car sales. Hong Kong and Macau achieved strong new car sales. The United Kingdom dealerships reported weaker results, with lower vehicle unit sales.

The Group also benefitted from a strong contribution from Zhongsheng, one of mainland China’s leading motor dealership groups, reflecting increased sales and better margins through to the end of the first six months of the year. Results for the full year, which have not yet been announced, will be included in the Group’s 2019 results. The Group holds a 20% shareholding through Jardine Strategic.

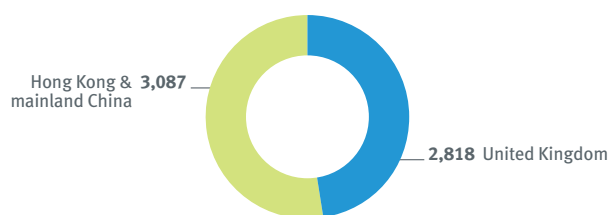
## Revenue (US\$ billion)



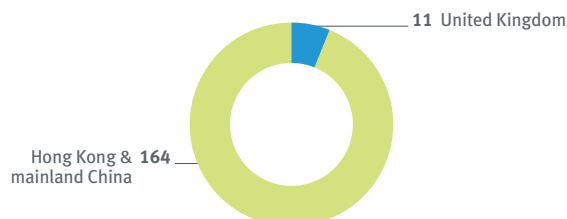
## Underlying Profit Attributable to Shareholders (US\$ million)



## Revenue by Geographical Location (US\$ million)



## Underlying Profit by Geographical Location (US\$ million)



# Jardine Lloyd Thompson

- Underlying profit increased by 33%
- Good performances in Risk and Insurance and Employee Benefits
- Offer by Marsh & McLennan Companies expected to complete in Spring 2019

	2018	2017 restated	Change <sup>†</sup> (%)
Revenue (US\$ billion)	1.9	1.8	5
Underlying profit attributable to shareholders (US\$ million)	217	160	33

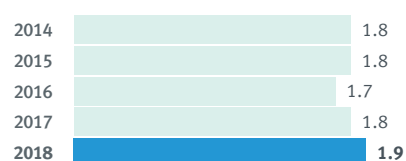
<sup>†</sup> Based on the change in UK sterling, being the reporting currency of Jardine Lloyd Thompson.

JLT's total revenue for 2018 was US\$1,931 million, an increase of 5% in its reporting currency, with 5% organic growth. Underlying profit before tax was up 25% in its reporting currency at US\$311 million. After adjusting for the costs of a business transformation programme which the group began in the year and on conversion into US dollars, JLT's contribution to the Group's underlying profit in 2018 was 16% higher than in 2017.

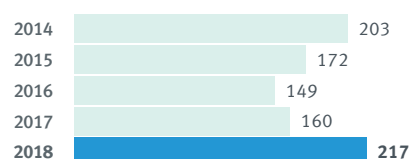
During the year JLT undertook a reorganisation into three global divisions – Reinsurance, Specialty and Employee Benefits. All three global divisions achieved organic revenue growth year on year, including organic revenue growth of 7% in Global Specialty.

The recommended cash acquisition by Marsh & McLennan Companies, which was announced in September 2018 and approved by shareholders in November 2018, is expected to complete in Spring 2019, subject to regulatory approvals. The Group will receive net proceeds of US\$2.1 billion for its stake, with an estimated gain of US\$1.5 billion.

## Revenue\* (US\$ billion)



## Underlying Profit Attributable to Shareholders\* (US\$ million)



\* 2017 figures are restated.

# Hongkong Land

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

	2018	2017 restated	Change (%)
Underlying profit attributable to shareholders (US\$ million)	<b>1,036</b>	947	9
Gross assets (US\$ billion)	<b>41.9</b>	39.4	6
Net asset value per share (US\$)	<b>16.43</b>	15.66	5

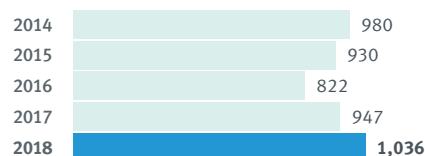
Hongkong Land achieved a second consecutive year of record underlying profit, with a 9% increase to US\$1,036 million. There were strong performances from both investment properties and development properties. The profit attributable to shareholders of US\$2,457 million included net revaluation gains of US\$1,421 million recorded on its investment properties, principally in Hong Kong. This compares to US\$5,614 million in 2017, which included net revaluation gains of US\$4,667 million. The group remains well-financed with net debt of US\$3.6 billion at the year end, up from US\$2.5 billion at the end of 2017. Net gearing rose to 9%. Net debt will move modestly higher during the first half of 2019 for land purchases which have already been committed.

The investment properties portfolio benefitted from higher overall average rents and positive rental reversions in Hong Kong and Singapore. In the development properties business, the profit contribution from mainland China was broadly in line with the prior year, despite fewer units being handed over, but the attributable interest in contracted sales was 42% higher than 2017, due to a greater number of sales launches. Higher profits were recognised in Singapore following the completion of the 1,327-unit Sol Acres executive

condominium development. A total of 12 new sites were secured for development during the year, including six projects in mainland China and projects in Indonesia, Thailand, Singapore and the Philippines. This compares with a total of 10 new projects in 2017.

Hongkong Land's Central office portfolio has experienced positive rental reversions. However Central office rental growth is moderating as demand, especially from mainland Chinese financial institutions, has slowed. The Hong Kong retail portfolio remains effectively fully occupied.

## Underlying Profit Attributable to Shareholders\* (US\$ million)



## Net Asset Value per Share\* (US\$)

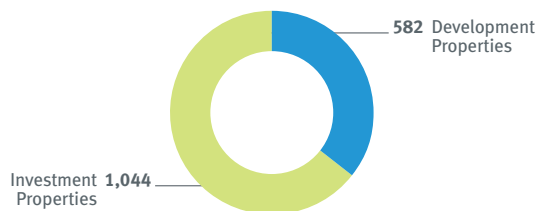


\* 2014-2017 figures are restated.

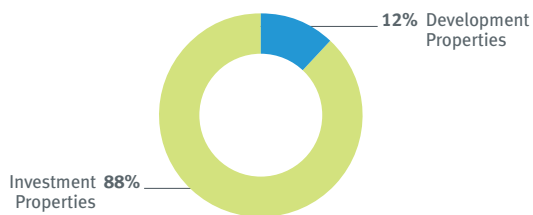
# 1.2 million sq. m.

Area of commercial investment portfolio under management  
(including 100% of joint ventures)

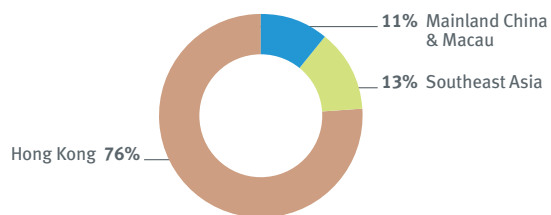
Underlying Operating Profit by Activity  
(before corporate costs) (US\$ million)



Gross Assets by Activity



Gross Assets by Location



● Investment Properties – Office    
 ● Investment Properties – Retail    
 ● Development Properties

# Dairy Farm

- Sales up 4% at US\$11.7 billion
- Strong Health and Beauty performance but further decline in Food
- Food business US\$453 million restructuring charge following strategic review
- Multi-year transformation plan in progress under new leadership

	2018	2017	Change (%)
Sales including 100% of associates & joint ventures (US\$ billion)	22.0	21.8	1
Sales (US\$ billion)	11.7	11.3	4
Underlying profit attributable to shareholders (US\$ million)	424	403	5

Most store formats reported improved performance in the year, with Health and Beauty delivering particularly strong results, but there was increasing weakness in Food. The performance of the Hong Kong Food business softened over the year and the supermarket and hypermarket business across Southeast Asia deteriorated further. Home Furnishings was broadly in line with the same period last year. Sales for the year by the group's subsidiaries were 4% higher than 2017 at US\$11.7 billion. Total sales, including 100% of associates and joint ventures, were up marginally at US\$22.0 billion.

The underlying profit attributable to shareholders was 5% higher at US\$424 million as the previous year's results had included costs incurred for the exit from various underperforming stores and stock clearance in the Southeast Asia Food business.

Results include significantly higher store support centre costs reflecting the increased investment in management and functional capabilities necessary to take the business forward. The profit contribution from associates was down from the prior year, with a record result from Maxim's but a decrease in Yonghui's contribution, due to the impact of losses from new retail formats and the cost of a new employee incentive scheme, as well as the fact that only nine months of Yonghui's 2018 performance have been included in Dairy Farm's results, since its 2018 full year results announcement has not yet been released.

The net non-trading charge for the year totalled US\$332 million. This included a US\$453 million restructuring charge for the Food business in Southeast Asia. Following the completion of the detailed strategic review, which concluded that the business was not viable in its current form, impairments have been made against the goodwill and assets associated with the Giant business and the leases of the underperforming stores have been provided for as part of the overall restructuring costs. Net cash costs included in the restructuring charge are expected to be less than US\$50 million.

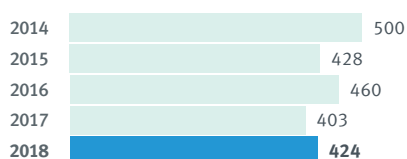
Dairy Farm has now embarked on a multi-year transformation programme to reset the future direction and competitiveness of the business. A new leadership team, with the right depth and breadth of experience and functional expertise, is now largely in place. During the year, this team has focused on developing and implementing new strategies and business performance initiatives. It has also reorganised the businesses into a new streamlined and centralised structure, with regional hubs based in Hong Kong and Singapore and the addition of enhanced functional leadership in key disciplines.

There were several significant corporate developments during the year. In November, Dairy Farm entered into a partnership with the Robinsons Retail, the Philippines' third largest retail business, whereby Dairy Farm's Food business in the Philippines has become part of Robinsons Retail, with Dairy Farm now having a 20% interest in the combined business. This new partnership positions the group well to take advantage of the growing opportunities in the Philippines.

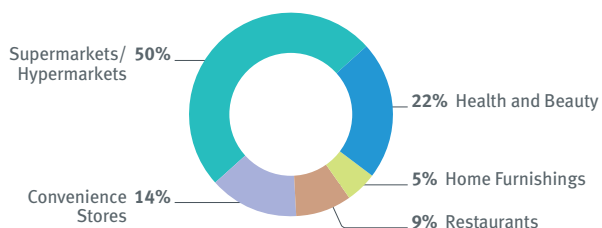
In December, Dairy Farm completed the acquisition of the remaining 51% of Rose Pharmacy from its founders, and now owns 100% of the business. This will allow Dairy Farm to drive the next phase of the development of the business.



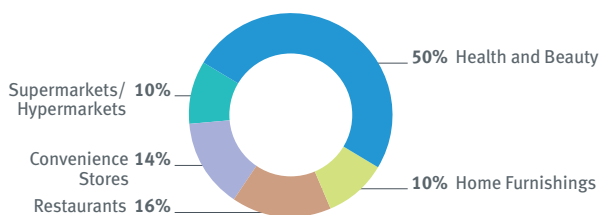
**Underlying Profit Attributable to Shareholders (US\$ million)**



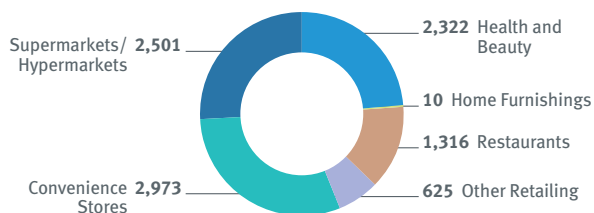
**Sales Mix by Format\***



**Profit Mix by Format#**



**Retail Outlet Numbers by Format†**



\* Including share of associates and joint ventures.

# Based on operating profit and share of results of associates and joint ventures, and excluding store support centre costs and non-trading items.

† Including 100% of associates and joint ventures.

**11**

Asian countries and territories

**7.9 million**

Customer transactions per day

**Over 9,700**

Outlets

**10.3 million sq. m.**

Gross trading area

# Mandarin Oriental

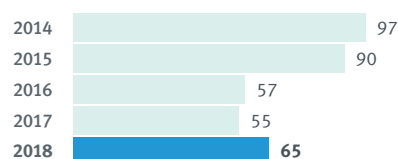
- 19% increase in underlying profit
- Group to redevelop The Excelsior, Hong Kong as a commercial building
- Mandarin Oriental Hyde Park, London to fully reopen in April 2019
- Seven new management contracts signed

	2018 US\$m	2017 US\$m	Change %
Combined total revenue of hotels under management	1,398	1,380	1
Underlying profit attributable to shareholders	65	55	19

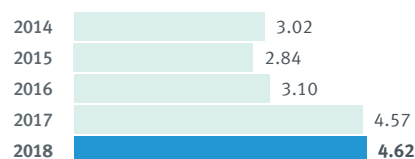
Mandarin Oriental had a positive year, driven by strong performances from Hong Kong and Singapore. Results across the rest of Asia were generally higher, but there were mixed results from Europe and there was flat performance in the United States. Results also benefitted from the receipt of the early termination fees in respect of the management contracts for the Las Vegas and Atlanta hotels. The impact of the fire in London in June 2018 was mitigated by insurance proceeds. Underlying profit for the year was 19% higher at US\$65 million, compared with US\$55 million in 2017. After taking into account a net non-trading loss primarily relating to accelerated asset write-downs due to the planned closure of The Excelsior, profit attributable to shareholders was US\$44 million, compared with US\$55 million in 2017. While the group's results will be adversely affected until the property reopens as a commercial building (The Excelsior contributed US\$24 million to underlying profit in 2018), the decision to close the hotel reflects strong commercial property values in Hong Kong and the expected higher yield associated with a commercial building at a time when the hotel requires significant investment.

Following the fire in June 2018, repairs are nearing completion at Mandarin Oriental Hyde Park, London and the hotel is on schedule to reopen fully in April 2019. While discussions with the group's insurers have not yet been concluded, interim cash payments received during 2018 from the insurers have financed the replacement of fixed assets and provided some compensation for the loss of profits so far. The jointly-owned Hotel Ritz, Madrid closed at the end of February 2018 to commence an extensive renovation.

## Underlying Profit Attributable to Shareholders (US\$ million)

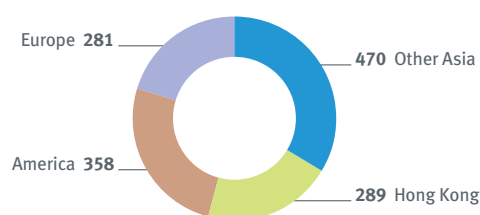


## Net Asset Value per Share\* (US\$)

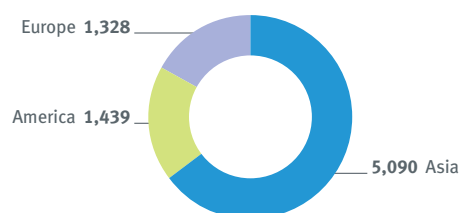


\* With freehold and leasehold properties at valuation.

## Combined Total Revenue of US\$1,398 million of Hotels under Management by Geographical Area (US\$ million)



## Portfolio of 7,857 Hotel Rooms by Geographical Area



# Jardine Cycle & Carriage

- Underlying earnings per share up 12%
- Strong growth at Astra
- Improved performances in non-Astra interests

	2018	2017 restated	Change (%)
Revenue (US\$ billion)	19.0	17.3	10
Underlying profit attributable to shareholders (US\$ million)	858	770	12

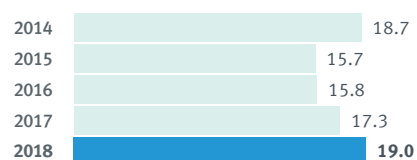
Jardine Cycle & Carriage's underlying profit attributable to shareholders was 12% higher at US\$858 million, but profit attributable to shareholders fell by 55% to US\$420 million, after accounting for net non-trading losses of US\$438 million, principally unrealised fair value losses related to non-current investments. Astra's contribution to underlying profit of US\$719 million was up 15%. The group's Direct Motor Interests contributed US\$145 million, 19% higher than 2017, while the contribution from its Other Strategic Interests rose by 107% to US\$71 million.

Within the group's Direct Motor Interests, Cycle & Carriage Singapore performed well as it grew its earnings by 8% to US\$62 million due to improved margins, despite a fall in passenger car sales. The 25%-owned Truong Hai Auto Corporation performed well, with a 29% increase in its profit contribution to US\$73 million, due mainly to higher unit sales and improved margins. In Malaysia, 59%-owned Cycle & Carriage Bintang contributed a US\$2 million profit, mainly comprising dividend income from its investment in Mercedes-Benz Malaysia, while 46%-owned Tunas Ridean in Indonesia recorded a 17% higher profit contribution of US\$18 million, reflecting improved performances across all of its segments.

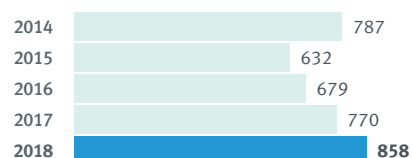
Within Other Strategic Interests, the contribution by 25.5%-held Siam City Cement in Thailand was US\$20 million, due to an improved domestic performance and lower one-off expenses, partially offset by lower contributions from its regional operations. The profit of 24.9%-held Refrigeration Electrical Engineering Corporation in Vietnam of

US\$19 million was 39% higher due mainly to strong contributions from its power and water investments. A dividend of US\$32 million was recognised on Jardine Cycle & Carriage's 10.6% shareholding in Vinamilk in Vietnam, compared to US\$9 million in 2017.

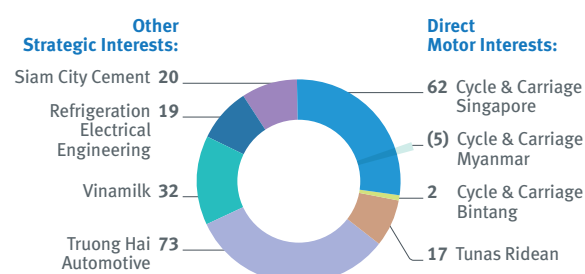
## Revenue\* (US\$ billion)



## Underlying Profit Attributable to Shareholders\* (US\$ million)



## Underlying Profit (excluding Astra and Corporate) of US\$220 million by Business\* (US\$ million)



\* 2017 figures are restated.

# Astra

- Net earnings per share up 15% at Rp535
- Higher coal prices benefit heavy equipment, mining contracting and mining revenue
- Improved earnings contribution from financial services
- Automotive market improved, with higher motorcycle and car sales
- Lower crude palm oil prices adversely impact agribusiness

	2018	2017	Change* (%)
Net revenue <sup>#</sup> (US\$ billion)	<b>16.8</b>	15.4	16
Profit attributable to shareholders <sup>#</sup> (US\$ million)	<b>1,519</b>	1,406	15

\*Based on the change in Indonesian rupiah, being the reporting currency of Astra.

<sup>#</sup> Reported under Indonesian GAAP.

Astra reported net profit under Indonesian accounting standards of Rp21.7 trillion, some US\$1.5 billion, 15% higher in its local currency terms. The group's net debt, excluding financial services subsidiaries, was Rp13.0 trillion (equivalent to US\$901 million) at 31st December 2018, down from a net cash position of Rp2.7 trillion (equivalent to US\$196 million) at the end of 2017, due mainly to the group's investments in its toll road businesses, a gold mining business and GOJEK.

Net income from Astra's automotive division fell slightly to US\$597 million, mainly due to lower operating margins despite higher automotive sales. Astra's car sales were 1% higher at 582,000 units in a wholesale market which was 7% higher in the year, but increased competition resulted in a decline in market share from 54% to 51%. Astra Honda Motor's market share was flat at 75%, although its domestic sales of motorcycles increased by 9% to 4.8 million units while the wholesale market increased by 8%. Astra Otoparts, the group's automotive components business, saw net income increase by 11% to US\$43 million.

Net income from financial services increased by 28% to US\$337 million, due to improved contributions from its consumer finance, banking and general insurance businesses.

The net income contribution from the group's car-focused finance companies increased by 26% to US\$86 million and the contribution from motorcycle-focused Federal International Finance was 16% higher at US\$162 million. The group's consumer finance businesses overall saw a 1% decrease in the amount financed to US\$5.6 billion during the year, due to a reduction in the amount financed in the low-cost car segment.

The net income contribution from the group's heavy equipment-focused finance operations increased by 30% to US\$6 million, partly due to lower loan loss provisions, while Permata Bank, in which Astra holds a 44.6% interest, reported net income of US\$63 million, compared to US\$56 million in 2017.

General insurer Asuransi Astra Buana saw its net income increase by 4% to US\$73 million, and life insurance joint venture, Astra Aviva Life, continued to acquire new individual life customers and participants for its corporate employee benefits programmes.

United Tractors, which is 59.5%-owned, reported net income 50% higher at US\$775 million, mainly due to improved performances in its construction machinery, mining contracting and mining operations, all of which benefitted from higher coal prices compared with 2017. Within United Tractors' construction machinery business, Komatsu heavy equipment sales were up 29%, and parts and service revenues were also higher. The mining contracting operations of Pamapersada Nusantara recorded an 11% increase in coal production, while overburden removal was up 22%. United Tractors' coal mining subsidiaries reported an 11% increase in coal sales. Agincourt Resources, in which United Tractors acquired a 95% interest in December 2018 and which operates a gold mining concession in Sumatra, reported gold

# 51%

2018 New motor car market share

# US\$5.6bn

2018 New consumer financing

# 75%

2018 New motorcycle market share

# US\$363m

2018 New heavy equipment financing

sales of 35,000 oz in December 2018. Acset Indonusa, United Tractors' 50.1%-owned general contractor reported a 88% decrease in net income to US\$1 million, mainly due to increased financing costs. US\$112 million of new construction projects were secured during 2018.

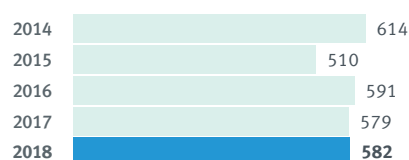
25%-owned Bhumi Jati Power is in the process of constructing two 1,000MW power plants in Central Java, which are scheduled to start commercial operation in 2021.

Astra Agro Lestari, which is 79.7%-owned, reported a 27% decline in net income to US\$101 million, primarily due to a fall in crude palm oil prices. This more than offset a 30% increase in crude palm oil and derivatives sales to 2.3 million tonnes.

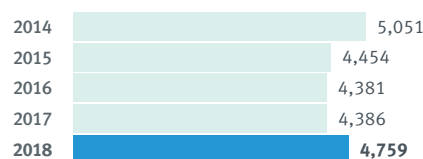
The group's infrastructure and logistics division reported a net income of US\$14 million in 2018, compared to a net loss of US\$17 million in the prior year. This was mainly due to improved earnings from the Tangerang-Merak toll road and Serasi Autoraya, as well as the inclusion in the prior year's results of a one-off loss on the disposal of Astra's 49% interest in PAM Lyonnaise Jaya. Astra has interests in 302km of operational toll roads along the Trans-Java network, with a further 11km in Greater Jakarta under construction. Serasi Autoraya's net income increased by 50% to US\$21 million, primarily due to improved operating margins in its car leasing and rental businesses. Net income from the group's information technology division was 5% higher at US\$15 million.

The group's property division reported a 28% lower net profit at US\$11 million under local accounting standards, due mainly to reduced development earnings recognised from its Anandamaya Residences project as a result of lower percentage completion in its final stages of construction.

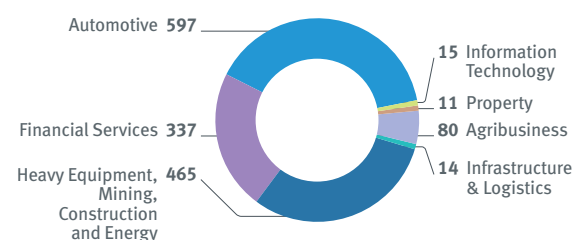
### Motor Vehicle Sales including Associates and Joint Ventures (thousand units)



### Motorcycle Sales including Associates and Joint Ventures (thousand units)



### Profit Attributable to Shareholders of US\$1,519 million by Business (US\$ million)



## People and the Community

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Just as Jardine Matheson Group companies have helped shape Asia's business landscape for more than 180 years, Jardine Matheson enterprises, and employees have also contributed significantly to projects supporting communities and people in need.

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### MINDSET

MINDSET provides support for sufferers in recovery, and through a series of programmes increase awareness and reduce stigma of mental health. Their programmes are led by Jardine Ambassadors, young executives from the Group's businesses in Hong Kong, Macau and Singapore.

In 2018 alone, MINDSET has reached out to more than 300 Hong Kong secondary school students who participated in the Health in Mind (HIM) project to promote mental health to fellow students, their families and the public at large. Students also learned about how to reduce and manage stress better in the HIM Summer Buddies initiative.

Group companies contribute over US\$780,000 per year to MINDSET programmes. In Hong Kong, Macau and Singapore, Group companies have raised over an additional US\$1 million in 2018 through flagship fundraising events such as the CENTRAL Rat Race and Walk Up Jardine House in Hong Kong, and the MINDSET Challenge & Carnival in Singapore.

MINDSET was recognised at the 'Charity Transparency' and 'Charity Governance' awards, while the Group was named a 'Champion of Good' for its mental health programmes in Singapore.

### Supporting Asia's scholars and future leaders

The Jardine Foundation awarded scholarships to 28 Jardine Scholars (13 undergraduate and 15 postgraduate students) from eight countries in Asia to study at selected Colleges at Oxford and Cambridge Universities for the academic year 2018/19. The programme has supported more than 290 scholars since its inception in 1982.

In 2018, the Foundation launched the Institut Teknologi Bandung (ITB) Scheme with ITB in Indonesia. Under this three-year initiative, two scholarships will be awarded to outstanding postgraduate students every year.

### Localised programmes for Indonesia

Environment and community are always at the forefront of Astra's citizenship activities across Indonesia. The Kampung Berseri Astra (KBA) environmental programme continued to progress and to date, nearly 80 KBA community-building projects have been run in over 30 provinces, and over 360 Desa Sejahtera Astra (Prosperous Village) initiatives have been held in over 20 provinces.

The SATU Indonesia (Astra's Unified Spirit for Indonesia) Awards programme recognises outstanding youths involved in health, education, environment, entrepreneurship and technology. The 2018 programme attracted 84% more applications than last year. From these, over 250 SATU awards were presented to over 50 national projects and 190 regional efforts.

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Astra was also an official prestige partner of the 2018 Asian Games with employees involved in the Asian Games torch relay across 10 cities – they also provided 200 vehicles during the competition period.

### **Making a difference in Singapore**

Jardine Cycle & Carriage (JC&C) and Cycle & Carriage Singapore (C&CS) sponsored a Social Innovation Festival, organised by Leng Kee Youth Executive Committee, that encouraged youths to create tech solutions to serve the community. As the leading automotive dealer group in Singapore, C&CS was committed to raising road safety awareness by being the main sponsor of Singapore Road Safety Month 2018. Organised by the Singapore Road Safety Council, C&CS donated funding to promote road safety information and activities.

JC&C also continued to donate funds to support the National University of Singapore Institute of Policy Studies and their research in addressing the challenges of an ageing society, and issues related to diversity, social inequality, mobility, and governance.

### **Minimising our impact on the environment**

Group companies have worked hard at minimising their impact on the environment through new programmes and partnerships.

Dairy Farm for example, partnered with waste industry experts to commission an independent public research project to find new ways to reduce and better manage single use beverage packaging waste in Hong Kong.

In Indonesia, Giant advanced the City Without Trash programme with the GAUL Citizens Celebration. As part of this, the GAUL Citizens – 10 environmental pioneers – showcased their sustainable lifestyle best practices covering recycling, and reducing waste, and their public education efforts.

In Hong Kong, the Landmark Mandarin Oriental now produces its own eco-friendly water glass bottles and has created a rooftop garden to grow fresh produce. The hotel is also collaborating with fresh water specialist Nordaq FRESH, to launch a premium bottled water (filtered and purified in-house).

Hong Kong Air Cargo Terminal also advanced its 'Green Terminal' project with the installation of 1,300 sq. m. of solar panels on the roof of its SuperTerminal 1 facility – this solar installation, which features 518 panels, generates 160 kWp of energy that is fed into the power grid.

Gammon meanwhile, became the first company in Asia to be compliant with the ISO20400 standards for sustainable procurement. Finally, KFC restaurants in Hong Kong and Macau continued their plastic reduction efforts removing plastic straws and lids – so far, they have saved about 1,000kg (or one million pieces of single-use plastic) of plastic waste.

# Financial Review

## John Witt

Group Finance Director

### Accounting Policies

The Directors continue to review the appropriateness of the accounting policies adopted by the Group having regard to developments in International Financial Reporting Standards ('IFRS'). In 2018, a number of new or amended standards became effective and the Group adopted those which are relevant to the Group's operations. As included in note 1 to the financial statements, the standards adopted that impact the Group's consolidated profit and loss account and balance sheet are IFRS 9 'Financial Instruments' and IFRS 15 'Revenue from Contracts with Customers'. The adoption of these new standards do not have a material effect on the financial statements, but the comparative financial statements have been restated as the Group applied these standards using a retrospective approach. Additional disclosures have also been made in the financial statements primarily on revenue from contracts with customers and impairment of debtors.

The Group will adopt IFRS 16 'Leases' from its effective date on 1st January 2019 (refer note 39).

### Results

#### Underlying Business Performance

	2018 US\$m	2017 US\$m
Revenue	42,527	38,748
Operating profit	3,969	3,259
Net financing charges	(312)	(161)
Share of results of associates and joint ventures	1,274	1,204
Profit before tax	4,931	4,302
Tax	(973)	(819)
Profit after tax	3,958	3,483
Non-controlling interests	(2,255)	(1,940)
Underlying profit attributable to shareholders	1,703	1,543
Non-trading items	29	2,400
Net profit	1,732	3,943
	US\$	US\$
Underlying earnings per share	4.53	4.10

In 2018, revenue rose by 10% to US\$42.5 billion mainly due to an increase in Hongkong Land's development property projects in mainland China and Singapore, and increased trading in most of Astra's businesses, principally the heavy equipment and mining businesses. Gross revenue, including 100% of revenue from associates and joint ventures, which is a measure of the full extent of the Group's operations, increased by 11% to US\$92.3 billion. This increase was largely from the Group's associate, Zhongsheng, which became a 20%-owned associate in June 2017.

Operating profit from the Group's subsidiaries, excluding non-trading items, was US\$3,969 million, an increase of US\$710 million or 22%. Higher operating profits were recorded in all of the Group's businesses except for Jardine Motors.

Astra's underlying operating profit rose by US\$472 million or 28% from 2017. Astra's heavy equipment and mining businesses increased earnings as a result of higher coal prices. There was an improved performance in its consumer finance business mainly due to lower loan loss provisions. Agribusiness recorded lower results due to lower crude palm oil prices.

Hongkong Land's underlying operating profit increased by US\$214 million due to higher earnings from its Hong Kong commercial portfolio and a higher contribution from its subsidiaries engaged in residential development activities in mainland China and Singapore.

Dairy Farm's underlying operating profit was US\$61 million above 2017 which had included costs of US\$73 million principally incurred for the exit from various underperforming stores and stock clearance in the Southeast Asia Food business. Dairy Farm's results in 2018 benefitted from its Health and Beauty business particularly in Hong Kong and an increased contribution from Convenience stores, which were offset by further deterioration in performance from the supermarket and hypermarket business across Southeast Asia and the softening performance in Hong Kong.

Mandarin Oriental's contribution increased by US\$25 million in 2018 with strong performance from the hotels in Hong Kong. Results also benefitted from the receipt of the early termination fees in respect of the management contracts for the Las Vegas and Atlanta hotels and the insurance compensation for operating costs and loss of profits following the fire in London in June 2018.



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Jardine Cycle & Carriage's contribution increased by US\$35 million in 2018. There were higher earnings in the Singapore motor operations and higher dividend from its 10.6% interest in Vinamilk, which was acquired in the last quarter of 2017.

Jardine Pacific's operating profit was in line with 2017 with a strong profit growth from the Hong Kong engineering operations in JEC offset by lower profits in its Restaurant businesses due to challenging trading conditions in Taiwan and Vietnam.

The overall underlying operating profit for Jardine Motors decreased by US\$83 million. Zung Fu in mainland China reported lower profit due to reduced margins despite a higher number of new cars sold. The United Kingdom dealerships reported weaker results with lower volume despite slightly improved margins. Zung Fu in Hong Kong performed in line with 2017.

Net financing charges increased by US\$151 million compared to 2017 principally due to the higher average levels of net debt in Hongkong Land, Jardine Cycle & Carriage and Astra. Interest cover exclusive of financial services companies reduced from 23 times to 15 times in 2018, calculated as the sum of underlying operating profit and share of results of associates and joint ventures divided by net financing charges.

The Group's share of underlying results of associates and joint ventures increased by US\$70 million or 6% to US\$1,274 million. Contributions from Astra's associates and joint ventures increased by US\$40 million principally due to higher income in Permata Bank due to higher interest income and recoveries from non-performing loans. In Jardine Cycle & Carriage, contributions from associates and joint ventures were US\$32 million higher compared with the prior year, mainly due to higher sales and improved margins in the motor vehicle operation of Thaco in Vietnam, and an improved domestic performance and the absence of one-off restructuring expenses in Siam City Cement in Thailand. Jardine Motors benefitted from a higher contribution from Zhongsheng in 2018 upon its becoming an associate in June 2017. The contribution from Jardine Lloyd Thompson increased by US\$10 million mainly due to higher revenues, partly offset by the costs incurred relating to its global transformation programme. Jardine Pacific's joint ventures' contributions increased by US\$7 million, with Jardine Schindler performed well and a higher contribution from Greatview, a 28%-owned associate acquired in June 2017, partly offset by lower profit reported in HACTL due to the loss of a significant customer.

The contribution from Hongkong Land's associates and joint ventures decreased by US\$37 million, primarily from its joint venture development property projects in mainland China due to timing of sales launches. In Dairy Farm, the contributions from its associates decreased by US\$11 million with a higher result from Maxim's which was more than offset by a decrease in Yonghui's contribution due to the impact of losses from new retail formats and the cost of a new employee incentive scheme, as well as the fact that only nine months of Yonghui's 2018 performance has been included as its 2018 full year results have not yet been released.

The underlying effective tax rate for the year was 26%, which was in line with that of 2017.

The Group's underlying profit attributable to shareholders in 2018 was US\$1,703 million or US\$4.53 on an earnings per share basis, both 10% higher than the prior year.

#### **Non-trading Items**

In 2018, the Group had net non-trading gains of US\$29 million, which included a net increase of US\$613 million in the fair value of investment properties primarily in Hongkong Land, a gain on disposal of a Philippine Food business subsidiary in Dairy Farm in exchange for a 12.15% interest in Robinsons Retail, a listed retailer in the Philippines, of US\$94 million (*see also Cash Flow below*) and gains on property disposals of US\$23 million; partly offset by a net decrease of US\$316 million in the fair value of other investments, a charge of US\$296 million relating to Dairy Farm's restructuring of its Food business in Southeast Asia and a loss of US\$40 million related to reclassification of Dairy Farm's investment in Rose Pharmacy from a joint venture to a wholly-owned subsidiary upon the acquisition of the remaining 51% interest by Dairy Farm (*see also Cash Flow below*).

In 2017, the Group's net non-trading gains of US\$2,400 million included a net increase of US\$1,949 million in the fair value of investment properties primarily in Hongkong Land, a net increase of US\$255 million in the fair value of other investments and gains on property disposals of US\$194 million.

#### **Dividends**

The Board is recommending a final dividend of US\$1.28 per share for 2018, providing a total annual dividend of US\$1.70 per share, an increase of 6% over 2017. The final dividend will be payable on 15th May 2019, subject to approval at the Annual General Meeting to be held on 9th May 2019, to those persons registered as shareholders on 15th March 2019. The dividends are payable in cash with a scrip alternative.

## Cash Flow

### Summarised Cash Flow

	2018 US\$m	2017 US\$m
Operating cash flow	<b>3,204</b>	3,354
Dividends from associates and joint ventures	<b>942</b>	944
Operating activities	<b>4,146</b>	4,298
Capital expenditure and investments	<b>(5,933)</b>	(5,841)
Disposals	<b>1,275</b>	1,866
Cash flow before financing	<b>(512)</b>	323

The cash inflow from operating activities for the year was US\$4,146 million compared with US\$4,298 million in 2017. The decrease of US\$152 million from 2017 was principally due to higher operating profit, more than offset by higher financing charges paid as a result of higher average net borrowings, higher net investment in development property projects in Hongkong Land and increased working capital principally in Jardine Motors.

Capital expenditure and investments for the year before disposals amounted to US\$5,933 million (2017: US\$5,841 million). This included the following:

- US\$1,287 million for the purchase of businesses, principally Astra's acquisition of a 95% interest in a gold mining business for US\$1,150 million, and Dairy Farm's acquisition of the remaining 51% interest in Rose Pharmacy, previously a 49% joint venture operating health and beauty stores in the Philippines, for US\$55 million;
- US\$2,181 million for investments in various associates and joint ventures, the main ones being Hongkong Land's investments of US\$1,367 million in development property projects in mainland China including the Nanjing, Chongqing, Shanghai and Chengdu joint venture projects; of US\$273 million in joint development projects in Thailand; and US\$63 million in a joint venture in Vietnam. In addition, it included Dairy Farm's investment in a 20% interest in Robinsons Retail in the Philippines with a 12.15% interest acquired by exchanging Dairy Farm's previous interest in a wholly-owned Philippine Food business subsidiary and the remaining interest acquired by a further US\$220 million in share purchases from the existing controlling shareholders and in the market; and Astra's investments in toll road concessions of US\$99 million;

- US\$708 million for the purchase of other investments, which included a US\$200 million investment in Toyota Motor Corporation shares and US\$62 million of additional shares in Vinamilk by Jardine Cycle & Carriage, and US\$280 million of securities by Astra's general insurance business and US\$150 million for Astra's minority stake in GOJEK;
- US\$123 million for the purchase of intangible assets, which included US\$43 million for the acquisition of contracts in Astra's general insurance;
- US\$1,423 million for the purchase of tangible assets, which included US\$921 million in Astra (US\$722 million was for the acquisition of heavy equipment and machinery, predominantly by Pamapersada, US\$110 million was for outlet development and additional operational machinery and equipment in Astra's automotive business, and US\$65 million was to improve plantation infrastructure in Astra's agribusiness); US\$61 million in Mandarin Oriental (of which US\$38 million was for the renovation of the hotel property in London); US\$223 million in Dairy Farm for new store expansion and refurbishment of existing stores; and US\$124 million in Jardine Motors for dealership developments; and
- US\$166 million for additions to investment properties in Hongkong Land and Astra, and US\$45 million for additions to bearer plants in Astra.

In 2017, the Group's principal capital expenditure and investments included:

- US\$1,192 million for Hongkong Land's investments in development property projects in mainland China primarily including the Wuhan, Nanjing and Hangzhou joint venture projects, US\$59 million for investment in a joint venture in Thailand, and US\$20 million for a joint venture in Vietnam;
- US\$138 million for Jardine Cycle & Carriage's subscription to a rights issue and purchase of additional shares in Siam City Cement;
- US\$274 million for Astra's investments in toll road concessions and US\$207 million for a 25% interest in power plants;
- US\$44 million for Astra's subscription to a rights issue in Permata Bank;
- US\$241 million for Jardine Strategic's acquisition of a 28% interest in Greatview and US\$172 million for additional shares in Zhongsheng, increasing its interest from 15.5% to 20.0%;

- US\$1,609 million for the purchase of other investments, which included US\$1,160 million for the acquisition of a 10% interest in Vinamilk by Jardine Cycle & Carriage, and US\$449 million of securities by Astra's general insurance business;
- US\$172 million for the purchase of intangible assets, which included US\$52 million for the acquisition of contracts in Astra's general insurance business and US\$60 million for leasehold land for use by Astra, Dairy Farm and Jardine Cycle & Carriage;
- US\$1,184 million for the purchase of tangible assets by Group companies; and
- US\$372 million for additions to investment properties in Hongkong Land and Astra.

The contribution to the Group's cash flow from disposals for the year amounted to US\$1,275 million (2017: US\$1,866 million), which principally included US\$950 million relating to advances and repayments from associates and joint ventures in Hongkong Land, US\$231 million from the sale of other investments by Astra's general insurance business, and US\$75 million from the sale of tangible assets mainly properties in Singapore by Dairy Farm and other tangible assets by Astra.

During the year, Jardine Strategic purchased shares in the Company at a total cost of US\$99 million (2017: US\$95 million). Additional shares in Group companies were also purchased at a total cost of US\$567 million (2017: US\$194 million). According to accounting standards, these purchases are presented under financing activities in the Consolidated Cash Flow Statement.

The Group's management also monitors total capital investment across the Group. The Group's capital investment, including expenditure on properties for sale, was US\$7.6 billion in 2018 (2017: US\$7.1 billion), in addition to which capital investment at its associates and joint ventures exceeded US\$4.6 billion (2017: US\$4.6 billion).

### Treasury Policy

The Group manages its exposure to financial risk using a variety of techniques and instruments. The main objectives are to limit foreign exchange and interest rate risks to provide a degree of certainty about costs. The investment of the Group's cash resources is managed so as to minimise risk while seeking to enhance yield. Appropriate credit guidelines are in place to manage counterparty risk.

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

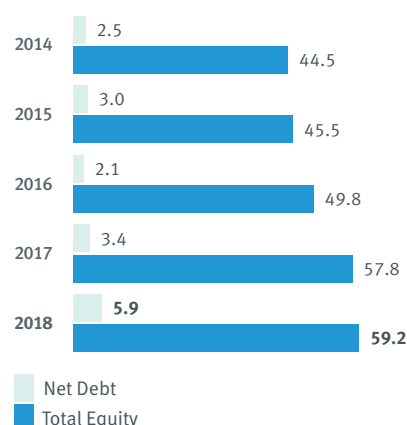
The Group's Treasury operations are managed as cost centres and are not permitted to undertake speculative transactions unrelated to underlying financial exposures.

Note 40 of the financial statements summarises the Group's financial risk factors.

### Funding

The Group is well financed with strong liquidity. Net gearing, excluding net borrowings relating to Astra's financial services companies, was 10% at 31st December 2018, up from 6% at the end of 2017 due to investments in the year by the Group's businesses, including projects in Hongkong Land and the acquisition of a gold mining business in Indonesia by Astra. Net borrowings, on the same basis, were US\$5.9 billion at 31st December 2018 compared with US\$3.4 billion at the end of 2017. Astra's financial services companies had net borrowings of US\$3.3 billion at the end of the year compared with US\$3.4 billion at the end of 2017.

### Net Debt\* and Total Equity (US\$ billion)



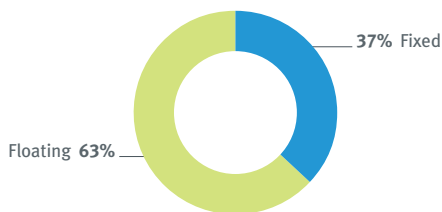
\* Excluding net debt of Astra's financial services companies.

At the year end, undrawn committed facilities totalled US\$8.0 billion. In addition, the Group had liquid funds of US\$5.0 billion. During the year, the Group's total equity increased by US\$1.4 billion to US\$59.2 billion.

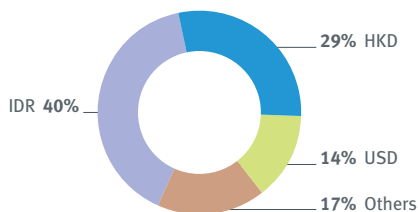
The average tenor of the Group’s debt at 31st December 2018 was 4.1 years, up from 3.7 years at the end of 2017. 86% of borrowings were non-US dollar denominated and directly related to the Group’s businesses in the countries of the currencies concerned. As at 31st December 2018, approximately 63% of the Group’s borrowings, exclusive of Astra’s financial services companies, were at floating rates and the remaining 37% were at fixed rates including those hedged with derivative instruments with major creditworthy financial institutions. For Astra’s financial services companies, 93% of their borrowings were at fixed rates.

**Debt profile as at 31st December 2018**

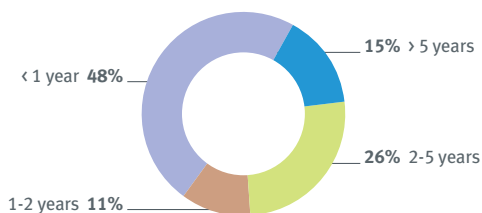
**Interest rate\***



**Currency**



**Maturity**

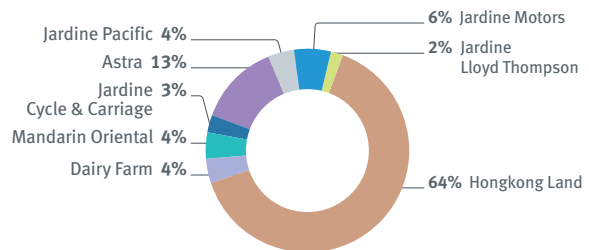


\* Excluding Astra's financial services companies.

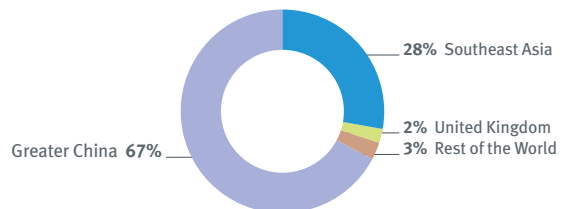
**Shareholders' Funds**

Shareholders’ funds as at 31st December 2018 are analysed below, by business and by geographical area. There were no significant changes from the prior year.

**By Business**



**By Geographical Area**



**Principal Risks and Uncertainties**

A review of the principal risks and uncertainties facing the Group is set out on page 138.

## Directors' Profiles

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### **Ben Keswick\***

#### *Executive Chairman and Managing Director*

Mr Keswick joined the Board in 2007. He was appointed as Managing Director in 2012 and also became Executive Chairman in January 2019. He has held a number of executive positions since joining the Group in 1998, including finance director and then chief executive officer of Jardine Pacific between 2003 and 2007 and, thereafter, group managing director of Jardine Cycle & Carriage until 2012. He has an MBA from INSEAD. Mr Keswick is chairman of Jardine Matheson Limited, Jardine Cycle & Carriage and Yonghui Superstores and a commissioner of Astra. He is also executive chairman and managing director of Jardine Strategic, chairman and managing director of Dairy Farm, Hongkong Land and Mandarin Oriental, and a director of Jardine Pacific and Jardine Motors.

### **Y.K. Pang\***

#### *Deputy Managing Director*

Mr Pang joined the Board in 2011 and was appointed Deputy Managing Director in 2016. He has held a number of senior executive positions in the Group, which he joined in 1984, including chief executive of Hongkong Land between 2007 and 2016. He is chairman of Jardine Pacific, Zung Fu and Gammon and chairman and chief executive of Jardine Motors. Mr Pang is also deputy chairman of Jardine Matheson Limited, and a director of Dairy Farm, Hongkong Land, Jardine Matheson (China), Jardine Strategic, Mandarin Oriental and Zhongsheng. He is chairman of the General Committee and Executive Committee of the Employers' Federation of Hong Kong, Deputy Chairman of the Hong Kong Management Association and a past chairman of the Hong Kong General Chamber of Commerce.

### **Mark Greenberg\***

Mr Greenberg joined the Board in 2008, having first joined the Group as Group Strategy Director in 2006. He had previously spent 16 years in investment banking with Dresdner Kleinwort Wasserstein in London. He is a director of Jardine Matheson Limited, Dairy Farm, Hongkong Land, Jardine Cycle & Carriage and Mandarin Oriental, and a commissioner of Astra and Permata Bank.

### **Stuart Gulliver**

Mr Gulliver joined the Board in January 2019. He was previously Executive Director and Group Chief Executive of HSBC Holdings plc from January 2011 until February 2018 and Chairman of The Hong Kong and Shanghai Banking Corporation Limited from 2011 to 2018. Mr Gulliver has more than 37 years' international banking experience, having joined HSBC in 1980 and worked for the group throughout his career.

### **David Hsu\***

Mr Hsu joined the Board in 2016, having first joined the Group in 2011. He is chairman of Jardine Matheson (China), with responsibility for supporting the Group's business developments in mainland China, Taiwan and Macau. He was previously chief executive of J.P. Morgan Asset Management in the Asia Pacific Region. Mr Hsu is also a director of Jardine Matheson Limited, Jardine Strategic and Greatview.

### **Julian Hui**

Mr Hui joined the Board in May 2018, having first joined the Group in 1994. He is an executive director of Owens Company, and a director of Central Development and Mandarin Oriental.

### **Adam Keswick\***

Mr Keswick first joined the Group in 2001 and was appointed to the Board in 2007. He was Deputy Managing Director from 2012 to 2016, and became chairman of Matheson & Co. in 2016. Mr Keswick is also deputy chairman of Jardine Lloyd Thompson and a director of Dairy Farm, Hongkong Land, Jardine Strategic and Mandarin Oriental. He is a director of Ferrari, and vice chairman of the supervisory board of Rothschild & Co.

### **Simon Keswick\***

Mr Keswick joined the Group in 1962 and has been a Director of its holding company since 1972. He is a director of Matheson & Co., Dairy Farm, Hongkong Land, Jardine Strategic and Mandarin Oriental.

### **Alex Newbigging\***

Mr Newbigging joined the Board in 2017. Since first joining the Group in 1995, he held a number of executive positions before taking up his current role of group managing director of Jardine Cycle & Carriage in 2012. He is also a commissioner of Astra, a director of Siam City Cement and vice chairman of Refrigeration Electrical Engineering.

### **Anthony Nightingale**

Mr Nightingale joined the Group in 1969 and was appointed as a Director in 1994. He was Managing Director from 2006 until he retired from executive office in 2012. He is also a director of Dairy Farm, Hongkong Land, Jardine Cycle & Carriage, Jardine Strategic, Mandarin Oriental and a commissioner of Astra. He is a director of Prudential, Schindler, Shui On Land and Vitasoy. He is chairperson of The Sailors Home and Missions to Seafarers in Hong Kong.

### **Jeremy Parr\***

Mr Parr was appointed to the Board in 2016, having first joined the Group as Group General Counsel in 2015. He was previously a senior corporate partner with Linklaters, where he was the global head of the firm's corporate division, based in London. Mr Parr is also a director of Jardine Matheson Limited, Dairy Farm and Mandarin Oriental.

### **Lord Sassoon, Kt\***

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

### **Percy Weatherall**

Mr Weatherall first joined the Company in 1976 and was appointed to the Board in 1999 before being made Managing Director in 2000. He retired from executive office in 2006. He is also a director of Matheson & Co., Dairy Farm, Hongkong Land, Jardine Strategic and Mandarin Oriental. He is chairman of Corney & Barrow and the Nith District Salmon Fishery Board.

### **John Witt\***

Mr Witt joined the Board as Group Finance Director in 2016. He is a Chartered Accountant and has an MBA from INSEAD. He has been with the Jardine Matheson Group since 1993 and has held a number of senior finance positions. Most recently, he was the chief financial officer of Hongkong Land. He is also a director of Jardine Matheson Limited and Dairy Farm, and a commissioner of Astra.

### **Michael Wei Kuo Wu**

Mr Wu joined the Board in 2015. He is chairman and managing director of Maxim's Caterers in Hong Kong. He is also a non-executive director of Hang Seng Bank and Hongkong Land.

\* Executive Director

### **Company Secretary**

Jonathan Lloyd

### **Registered Office**

Jardine House, 33-35 Reid Street  
Hamilton  
Bermuda

## Consolidated Profit and Loss Account

for the year ended 31st December 2018

	Note	2018			2017		
		Underlying business performance US\$m	Non-trading items US\$m	Total US\$m	Underlying business performance US\$m restated	Non-trading items US\$m restated	Total US\$m restated
Revenue	3	<b>42,527</b>	–	<b>42,527</b>	38,748	–	38,748
Net operating costs	4	<b>(38,558)</b>	<b>(872)</b>	<b>(39,430)</b>	(35,489)	553	(34,936)
Change in fair value of investment properties		–	<b>1,251</b>	<b>1,251</b>	–	4,706	4,706
Operating profit		<b>3,969</b>	<b>379</b>	<b>4,348</b>	3,259	5,259	8,518
Net financing charges	5	<b>(312)</b>	–	<b>(312)</b>	(161)	–	(161)
Share of results of associates and joint ventures	6						
– before change in fair value of investment properties		<b>1,274</b>	<b>(32)</b>	<b>1,242</b>	1,204	(8)	1,196
– change in fair value of investment properties		–	<b>189</b>	<b>189</b>	–	(32)	(32)
		<b>1,274</b>	<b>157</b>	<b>1,431</b>	1,204	(40)	1,164
Profit before tax		<b>4,931</b>	<b>536</b>	<b>5,467</b>	4,302	5,219	9,521
Tax	7	<b>(973)</b>	<b>9</b>	<b>(964)</b>	(819)	(3)	(822)
Profit after tax		<b>3,958</b>	<b>545</b>	<b>4,503</b>	3,483	5,216	8,699
Attributable to:							
Shareholders of the Company	8 & 9	<b>1,703</b>	<b>29</b>	<b>1,732</b>	1,543	2,400	3,943
Non-controlling interests		<b>2,255</b>	<b>516</b>	<b>2,771</b>	1,940	2,816	4,756
		<b>3,958</b>	<b>545</b>	<b>4,503</b>	3,483	5,216	8,699
		US\$		US\$	US\$		US\$
Earnings per share	8						
– basic		<b>4.53</b>		<b>4.60</b>	4.10		10.48
– diluted		<b>4.52</b>		<b>4.59</b>	4.09		10.46



# Consolidated Statement of Comprehensive Income

for the year ended 31st December 2018

		<b>2018</b>	2017
		US\$m	US\$m
	<i>Note</i>		restated
Profit for the year		<b>4,503</b>	8,699
Other comprehensive income/(expense)			
Items that will not be reclassified to profit or loss:			
Remeasurements of defined benefit plans	18	<b>(25)</b>	77
Net revaluation surplus before transfer to investment properties			
– intangible assets	10	<b>2</b>	6
– tangible assets	11	<b>1</b>	–
Reversal of fair value gain upon reclassification of equity investments to associates		–	(67)
Tax on items that will not be reclassified		<b>3</b>	(8)
		<b>(19)</b>	8
Share of other comprehensive (expense)/income of associates and joint ventures		<b>(10)</b>	17
		<b>(29)</b>	25
Items that may be reclassified subsequently to profit or loss:			
Net exchange translation differences			
– net (loss)/gain arising during the year		<b>(825)</b>	167
– transfer to profit and loss		<b>47</b>	9
		<b>(778)</b>	176
Revaluation of other investments at fair value through other comprehensive income			
– net (loss)/gain arising during the year	15	<b>(22)</b>	22
– transfer to profit and loss		<b>(3)</b>	(3)
		<b>(25)</b>	19
Cash flow hedges			
– net gain/(loss) arising during the year		<b>31</b>	(39)
– transfer to profit and loss		–	10
		<b>31</b>	(29)
Tax relating to items that may be reclassified		<b>(13)</b>	8
Share of other comprehensive (expense)/income of associates and joint ventures		<b>(533)</b>	406
		<b>(1,318)</b>	580
Other comprehensive (expense)/income for the year, net of tax		<b>(1,347)</b>	605
Total comprehensive income for the year		<b>3,156</b>	9,304
Attributable to:			
Shareholders of the Company		<b>1,152</b>	4,370
Non-controlling interests		<b>2,004</b>	4,934
		<b>3,156</b>	9,304

# Consolidated Balance Sheet

at 31st December 2018

	Note	At 31st December		At 1st January
		2018	2017	2017
		US\$m	US\$m	US\$m
			restated	restated
<b>Assets</b>				
Intangible assets	10	<b>3,378</b>	3,009	2,825
Tangible assets	11	<b>7,786</b>	7,008	6,239
Investment properties	12	<b>34,753</b>	33,538	28,609
Bearer plants	13	<b>487</b>	498	497
Associates and joint ventures	14	<b>14,611</b>	13,061	10,599
Other investments	15	<b>2,592</b>	2,673	1,369
Non-current debtors	16	<b>3,082</b>	3,042	2,936
Deferred tax assets	17	<b>389</b>	406	376
Pension assets	18	<b>6</b>	14	5
Non-current assets		<b>67,084</b>	63,249	53,455
Properties for sale	19	<b>2,339</b>	2,594	1,620
Stocks and work in progress	20	<b>3,770</b>	3,536	3,311
Current debtors	16	<b>7,838</b>	7,052	7,010
Current investments	15	<b>50</b>	22	65
Current tax assets		<b>189</b>	164	169
Bank balances and other liquid funds	21			
– non-financial services companies		<b>4,801</b>	5,764	5,314
– financial services companies		<b>187</b>	241	229
		<b>4,988</b>	6,005	5,543
		<b>19,174</b>	19,373	17,718
Assets classified as held for sale		–	11	3
Current assets		<b>19,174</b>	19,384	17,721
<b>Total assets</b>		<b>86,258</b>	82,633	71,176

Approved by the Board of Directors

**Ben Keswick**

**John Witt**

*Directors*

28th February 2019



	Note	At 31st December		At 1st January
		2018 US\$m	2017 US\$m restated	2017 US\$m restated
<b>Equity</b>				
Share capital	22	184	181	178
Share premium and capital reserves	24	218	188	175
Revenue and other reserves		31,185	30,005	25,562
Own shares held	26	(5,245)	(4,715)	(4,100)
Shareholders' funds		26,342	25,659	21,815
Non-controlling interests	27	32,855	32,109	27,987
Total equity		59,197	57,768	49,802
<b>Liabilities</b>				
Long-term borrowings	28			
– non-financial services companies		5,418	5,975	5,343
– financial services companies		1,655	1,487	1,518
		7,073	7,462	6,861
Deferred tax liabilities	17	800	552	513
Pension liabilities	18	413	385	419
Non-current creditors	29	343	326	440
Non-current provisions	30	299	175	151
Non-current liabilities		8,928	8,900	8,384
Current creditors	29	10,312	10,094	8,289
Current borrowings	28			
– non-financial services companies		5,333	3,195	2,058
– financial services companies		1,825	2,154	2,265
		7,158	5,349	4,323
Current tax liabilities		454	362	266
Current provisions	30	209	154	112
		18,133	15,959	12,990
Liabilities classified as held for sale		–	6	–
Current liabilities		18,133	15,965	12,990
Total liabilities		27,061	24,865	21,374
Total equity and liabilities		86,258	82,633	71,176

## Consolidated Statement of Changes in Equity

for the year ended 31st December 2018

	Share capital US\$m	Share premium US\$m	Capital reserves US\$m	Revenue reserves US\$m	Asset revaluation reserves US\$m	Hedging reserves US\$m	Exchange reserves US\$m	Own shares held US\$m	Attributable to shareholders of the Company US\$m	Attributable to non-controlling interests US\$m	Total equity US\$m
<b>2018</b>											
At 1st January											
– as previously reported	181	32	156	31,312	212	(6)	(1,503)	(4,715)	25,669	32,101	57,770
– change in accounting policies (refer note 1)	–	–	–	11	–	–	(5)	–	6	57	63
– as restated	181	32	156	31,323	212	(6)	(1,508)	(4,715)	25,675	32,158	57,833
Total comprehensive income	–	–	–	1,685	1	(14)	(520)	–	1,152	2,004	3,156
Dividends paid by the Company	–	–	–	(607)	–	–	–	–	(607)	109	(498)
Dividends paid to non-controlling interests	–	–	–	–	–	–	–	–	–	(902)	(902)
Unclaimed dividends forfeited	–	–	–	2	–	–	–	–	2	–	2
Issue of shares	–	4	–	–	–	–	–	–	4	–	4
Employee share option schemes	–	–	32	–	–	–	–	–	32	1	33
Scrip issued in lieu of dividends	3	(3)	–	635	–	–	–	–	635	–	635
Increase in own shares held	–	–	–	–	–	–	–	(530)	(530)	(72)	(602)
Subsidiaries acquired	–	–	–	–	–	–	–	–	–	57	57
Capital contribution from non-controlling interests	–	–	–	–	–	–	–	–	–	21	21
Change in interests in subsidiaries	–	–	–	(24)	–	–	–	–	(24)	(539)	(563)
Change in interests in associates and joint ventures	–	–	–	3	–	–	–	–	3	18	21
Transfer	–	3	(6)	3	–	–	–	–	–	–	–
At 31st December	184	36	182	33,020	213	(20)	(2,028)	(5,245)	26,342	32,855	59,197
<b>2017</b>											
At 1st January											
– as previously reported	178	20	155	27,223	210	(32)	(1,854)	(4,100)	21,800	27,937	49,737
– change in accounting policies (refer note 1)	–	–	–	22	–	–	(7)	–	15	50	65
– as restated	178	20	155	27,245	210	(32)	(1,861)	(4,100)	21,815	27,987	49,802
Total comprehensive income	–	–	–	3,991	2	26	351	–	4,370	4,934	9,304
Dividends paid by the Company	–	–	–	(571)	–	–	–	–	(571)	101	(470)
Dividends paid to non-controlling interests	–	–	–	–	–	–	–	–	–	(816)	(816)
Unclaimed dividends forfeited	–	–	–	1	–	–	–	–	1	1	2
Issue of shares	–	10	–	–	–	–	–	–	10	–	10
Employee share option schemes	–	–	21	–	–	–	–	–	21	–	21
Scrip issued in lieu of dividends	3	(3)	–	751	–	–	–	–	751	–	751
Increase in own shares held	–	–	–	–	–	–	–	(615)	(615)	(100)	(715)
Subsidiaries acquired	–	–	–	–	–	–	–	–	–	107	107
Subsidiaries disposed of	–	–	–	–	–	–	–	–	–	(1)	(1)
Capital repayment to non-controlling interests	–	–	–	–	–	–	–	–	–	(3)	(3)
Change in interests in subsidiaries	–	–	–	(93)	–	–	–	–	(93)	(101)	(194)
Change in interests in associates and joint ventures	–	–	–	(30)	–	–	–	–	(30)	–	(30)
Transfer	–	5	(20)	15	–	–	–	–	–	–	–
At 31st December	181	32	156	31,309	212	(6)	(1,510)	(4,715)	25,659	32,109	57,768

# Consolidated Cash Flow Statement

for the year ended 31st December 2018

	Note	2018 US\$m	2017 US\$m restated
<b>Operating activities</b>			
Operating profit		4,348	8,518
Change in fair value of investment properties		(1,251)	(4,706)
Depreciation and amortisation	31 (a)	1,111	981
Other non-cash items	31 (b)	1,191	(156)
Increase in working capital	31 (c)	(977)	(376)
Interest received		164	172
Interest and other financing charges paid		(480)	(323)
Tax paid		(902)	(756)
		<b>3,204</b>	<b>3,354</b>
Dividends from associates and joint ventures		942	944
Cash flows from operating activities		<b>4,146</b>	<b>4,298</b>
<b>Investing activities</b>			
Purchase of subsidiaries	31 (d)	(1,287)	(74)
Purchase of associates and joint ventures	31 (e)	(1,191)	(1,527)
Purchase of other investments	31 (f)	(708)	(1,609)
Purchase of intangible assets		(123)	(172)
Purchase of tangible assets		(1,423)	(1,184)
Additions to investment properties		(166)	(372)
Additions to bearer plants		(45)	(50)
Advance to associates and joint ventures	31 (g)	(990)	(853)
Advance and repayment from associates and joint ventures	31 (h)	952	658
Sale of subsidiaries	31 (i)	–	103
Sale of associates and joint ventures		–	73
Redemption of convertible bonds by Zhongsheng		–	398
Sale of other investments	31 (j)	236	369
Sale of intangible assets		12	2
Sale of tangible assets		75	221
Sale of investment properties		–	42
Cash flows from investing activities		<b>(4,658)</b>	<b>(3,975)</b>
<b>Financing activities</b>			
Issue of shares		4	10
Capital contribution from/(repayment to) non-controlling interests		21	(3)
Change in interests in subsidiaries	31 (k)	(563)	(179)
Purchase of own shares		(99)	(95)
Drawdown of borrowings	28	7,923	7,601
Repayment of borrowings	28	(6,373)	(6,112)
Dividends paid by the Company		(366)	(338)
Dividends paid to non-controlling interests		(902)	(824)
Cash flows from financing activities		<b>(355)</b>	<b>60</b>
Net (decrease)/increase in cash and cash equivalents		<b>(867)</b>	<b>383</b>
Cash and cash equivalents at 1st January		<b>6,001</b>	<b>5,531</b>
Effect of exchange rate changes		<b>(181)</b>	<b>87</b>
Cash and cash equivalents at 31st December	31 (l)	<b>4,953</b>	<b>6,001</b>

# Notes to the Financial Statements

## 1 Basis of Preparation

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

Details of the Group's principal accounting policies are included in note 38.

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

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

The Group's reportable segments are set out in note 2 and are described on page 7 and pages 9 to 19.

### ***Changes in principal accounting policies***

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

#### *IFRS 9 'Financial Instruments'*

Under IFRS 9, the gains and losses arising from changes in fair value of the Group's investments in equity investments, previously classified as available-for-sale, have been recognised in profit and loss, instead of through other comprehensive income. Such fair value gains or losses on revaluation of these investments are classified as non-trading items, and do not have any impact on the Group's underlying profit attributable to shareholders and shareholders' funds. The new forward-looking expected credit loss model, which replaces the incurred loss impairment model, mainly affects the loan impairment provisions of the Group's financial services companies in Indonesia. The new hedge accounting rules, which align the accounting for hedging instruments closely with the Group's risk management practices, has no significant impact to the Group.

#### *IFRS 15 'Revenue from Contracts with Customers'*

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

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

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

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

	Increase/(decrease) in profit upon adopting	
	IFRS 9 US\$m	IFRS 15 US\$m
Revenue	–	(708)
Net operating costs	267	669
Share of results of associates and joint ventures	(28)	(1)
Tax	–	7
Profit after tax	239	(33)
Attributable to:		
Shareholders of the Company*	172	(14)
Non-controlling interests	67	(19)
	239	(33)
*Further analysed as:		
Underlying profit attributable to shareholders	(11)	(14)
Non-trading items		
– change in fair value of other investments	255	–
– sale and closure of businesses	(16)	–
– sale of other investments	(56)	–
	183	–
Profit attributable to shareholders	172	(14)
Basic underlying earnings per share (US\$)	(0.03)	(0.04)
Diluted underlying earnings per share (US\$)	(0.03)	(0.04)
Basic earnings per share (US\$)	0.46	(0.04)
Diluted earnings per share (US\$)	0.46	(0.04)

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

	Increase/(decrease) in total comprehensive income upon adopting	
	IFRS 9 US\$m	IFRS 15 US\$m
Profit for the year	239	(33)
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss:		
Net exchange translation differences		
– net gain arising during the year	–	3
Revaluation of other investments at fair value through other comprehensive income		
– net gain arising during the year	(366)	–
– transfer to profit and loss	72	–
Share of other comprehensive income of associates and joint ventures	19	(1)
Other comprehensive income for the year, net of tax	(275)	2
Total comprehensive income for the year	(36)	(31)
Attributable to:		
Shareholders of the Company	(11)	(14)
Non-controlling interests	(25)	(17)
	(36)	(31)

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

	Increase/(decrease) upon adopting					
	IFRS 9		IFRS 15		Total	
	2018	2017	2018	2017	2018	2017
	US\$m	US\$m	US\$m	US\$m	US\$m	US\$m
<b>Assets</b>						
<i>Non-current assets</i>						
Associates and joint ventures	(22)	–	2	4	(20)	4
Other investments						
– available-for-sale financial assets	(2,692)	(1,427)	–	–	(2,692)	(1,427)
– equity investments at fair value through profit and loss	2,137	994	–	–	2,137	994
– debt investments at fair value through other comprehensive income	613	433	–	–	613	433
	58	–	–	–	58	–
Deferred tax assets	–	–	2	1	2	1
<i>Current assets</i>						
Properties for sale	–	–	(353)	(695)	(353)	(695)
Stocks and work in progress	–	–	66	30	66	30
Current debtors	(7)	–	138	313	131	313
Total assets	29	–	(145)	(347)	(116)	(347)
<b>Equity</b>						
<i>Total equity</i>						
Revenue and other reserves	5	–	1	15	6	15
Non-controlling interests	24	–	33	50	57	50
	29	–	34	65	63	65
<b>Liabilities</b>						
<i>Non-current liabilities</i>						
Non-current creditors	–	–	71	–	71	–
Deferred tax liabilities	–	–	8	13	8	13
<i>Current liabilities</i>						
Current creditors	–	–	(258)	(425)	(258)	(425)
Total liabilities	–	–	(179)	(412)	(179)	(412)
Total equity and liabilities	29	–	(145)	(347)	(116)	(347)

Unlisted equity investments included in associates and joint ventures, and other investments, that were previously stated at cost, were measured at fair value at 1st January 2018 upon initial application of IFRS 9 and its transition provision for classification and measurement.

## 2 Segmental Information

Operating segments are identified on the basis of internal reports about components of the Group that are regularly reviewed by the executive directors of the Company for the purpose of resource allocation and performance assessment. The Group has eight

operating segments as more fully described on page 7. No operating segments have been aggregated to form the reportable segments. Set out below is an analysis of the Group's underlying profit, net debt and total equity by reportable segment.

	Jardine Pacific US\$m	Jardine Motors US\$m	Jardine Lloyd Thompson US\$m	Hongkong Land US\$m	Dairy Farm US\$m	Mandarin Oriental US\$m	Jardine Cycle & Carriage US\$m	Astra US\$m	Corporate and other interests US\$m	Intersegment transactions US\$m	Underlying businesses performance US\$m	Non-trading items US\$m	Group US\$m
<b>2018</b>													
Gross revenue#	6,827	15,954	1,931	4,642	21,957	985	7,277	33,072	–	(297)	92,348	–	<b>92,348</b>
Revenue (refer note 3)	2,585	5,905	–	2,665	11,749	614	1,938	17,133	–	(62)	42,527	–	<b>42,527</b>
Net operating costs	(2,525)	(5,764)	–	(1,576)	(11,321)	(520)	(1,842)	(15,000)	(72)	62	(38,558)	(872)	<b>(39,430)</b>
Change in fair value of investment properties	–	–	–	–	–	–	–	–	–	–	–	1,251	<b>1,251</b>
Operating profit	60	141	–	1,089	428	94	96	2,133	(72)	–	3,969	379	<b>4,348</b>
Net financing charges	(5)	(3)	–	(114)	(33)	(13)	(34)	(123)	13	–	(312)	–	<b>(312)</b>
Share of results of associates and joint ventures													
– before change in fair value of investment properties	128	86	77	265	132	6	127	478	(25)	–	1,274	(32)	<b>1,242</b>
– change in fair value of investment properties	–	–	–	–	–	–	–	–	–	–	–	189	<b>189</b>
	128	86	77	265	132	6	127	478	(25)	–	1,274	157	<b>1,431</b>
Profit before tax	183	224	77	1,240	527	87	189	2,488	(84)	–	4,931	536	<b>5,467</b>
Tax	(14)	(34)	–	(206)	(99)	(19)	(20)	(579)	(2)	–	(973)	9	<b>(964)</b>
Profit after tax	169	190	77	1,034	428	68	169	1,909	(86)	–	3,958	545	<b>4,503</b>
Non-controlling interests	(5)	(15)	–	(596)	(150)	(23)	(67)	(1,444)	45	–	(2,255)	(516)	<b>(2,771)</b>
Profit attributable to shareholders	<b>164</b>	<b>175</b>	<b>77</b>	<b>438</b>	<b>278</b>	<b>45</b>	<b>102</b>	<b>465</b>	<b>(41)</b>	<b>–</b>	<b>1,703</b>	<b>29</b>	<b>1,732</b>
Net (debt)/cash (excluding net debt of financial services companies)*	<b>(88)</b>	<b>57</b>	<b>–</b>	<b>(3,564)</b>	<b>(744)</b>	<b>(285)</b>	<b>(1,289)</b>	<b>(900)</b>	<b>863</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>(5,950)</b>
Total equity	<b>1,057</b>	<b>1,554</b>	<b>485</b>	<b>38,370</b>	<b>1,680</b>	<b>1,349</b>	<b>1,263</b>	<b>12,335</b>	<b>1,272</b>	<b>(168)</b>	<b>–</b>	<b>–</b>	<b>59,197</b>
<b>2017</b>													
Gross revenue#	6,619	10,031	1,793	4,291	21,827	983	6,645	31,077	–	(265)	83,001	–	83,001
Revenue (refer note 3)	2,391	5,543	–	1,616	11,289	611	1,972	15,365	–	(39)	38,748	–	38,748
Net operating costs	(2,329)	(5,319)	–	(741)	(10,922)	(542)	(1,911)	(13,704)	(60)	39	(35,489)	553	(34,936)
Change in fair value of investment properties	–	–	–	–	–	–	–	–	–	–	–	4,706	4,706
Operating profit	62	224	–	875	367	69	61	1,661	(60)	–	3,259	5,259	8,518
Net financing charges	(5)	(5)	–	(78)	(26)	(11)	(4)	(43)	11	–	(161)	–	(161)
Share of results of associates and joint ventures													
– before change in fair value of investment properties	121	29	67	302	143	11	95	438	(2)	–	1,204	(8)	1,196
– change in fair value of investment properties	–	–	–	–	–	–	–	–	–	–	–	(32)	(32)
	121	29	67	302	143	11	95	438	(2)	–	1,204	(40)	1,164
Profit before tax	178	248	67	1,099	484	69	152	2,056	(51)	–	4,302	5,219	9,521
Tax	(14)	(54)	–	(151)	(93)	(15)	(15)	(473)	(4)	–	(819)	(3)	(822)
Profit after tax	164	194	67	948	391	54	137	1,583	(55)	–	3,483	5,216	8,699
Non-controlling interests	(2)	(10)	–	(551)	(130)	(19)	(55)	(1,193)	20	–	(1,940)	(2,816)	(4,756)
Profit attributable to shareholders	162	184	67	397	261	35	82	390	(35)	–	1,543	2,400	3,943
Net (debt)/cash (excluding net debt of financial services companies)*	(82)	193	–	(2,548)	(599)	(327)	(1,015)	196	779	–	–	–	(3,403)
Total equity	1,048	1,489	507	36,876	1,949	1,383	1,689	11,821	1,168	(162)	–	–	57,768

# Gross revenue comprises revenue together with 100% of revenue from associates and joint ventures.

\*Net (debt)/cash is total borrowings less bank balances and other liquid funds. A cash balance of US\$3 million was included in assets classified as held for sale at 31st December 2017. Net debt of financial services companies amounted to US\$3,293 million at 31st December 2018 (2017: US\$3,400 million) and relates to Astra.

**2 Segmental Information** (continued)

Set out below are analyses of the Group's underlying profit attributable to shareholders and non-current assets, by geographical areas:

	<b>2018</b>	2017
	US\$m	US\$m
<b><i>Underlying profit attributable to shareholders:</i></b>		
Greater China	<b>981</b>	964
Southeast Asia	<b>689</b>	557
United Kingdom	<b>59</b>	44
Rest of the world	<b>15</b>	13
	<b>1,744</b>	1,578
Corporate and other interests	<b>(41)</b>	(35)
	<b>1,703</b>	1,543
<b><i>Non-current assets*:</i></b>		
Greater China	<b>40,960</b>	39,061
Southeast Asia	<b>18,164</b>	16,118
United Kingdom	<b>836</b>	884
Rest of the world	<b>1,055</b>	1,051
	<b>61,015</b>	57,114

\*Excluding financial instruments, deferred tax assets and pension assets.



### 3 Revenue

	Jardine Pacific US\$m	Jardine Motors US\$m	Hongkong Land US\$m	Dairy Farm US\$m	Mandarin Oriental US\$m	Jardine Cycle & Carriage US\$m	Astra US\$m	Intersegment transactions US\$m	Group US\$m
<b>2018</b>									
<b>By product and service:</b>									
Property	5	–	2,665	–	–	–	279	(10)	<b>2,939</b>
Motor vehicles	–	5,905	–	–	–	1,938	7,424	–	<b>15,267</b>
Retail and restaurants	682	–	–	11,749	–	–	–	–	<b>12,431</b>
Financial services	–	–	–	–	–	–	1,376	–	<b>1,376</b>
Engineering, heavy equipment, mining and construction	565	–	–	–	–	–	5,970	(34)	<b>6,501</b>
Hotels	–	–	–	–	614	–	–	(2)	<b>612</b>
Other	1,333	–	–	–	–	–	2,084	(16)	<b>3,401</b>
	<b>2,585</b>	<b>5,905</b>	<b>2,665</b>	<b>11,749</b>	<b>614</b>	<b>1,938</b>	<b>17,133</b>	<b>(62)</b>	<b>42,527</b>
<b>By geographical location of customers:</b>									
Greater China	1,842	3,087	1,663	7,422	252	–	–	(57)	<b>14,209</b>
Southeast Asia	743	–	1,002	4,327	25	1,938	17,133	(5)	<b>25,163</b>
United Kingdom	–	2,818	–	–	19	–	–	–	<b>2,837</b>
Rest of the world	–	–	–	–	318	–	–	–	<b>318</b>
	<b>2,585</b>	<b>5,905</b>	<b>2,665</b>	<b>11,749</b>	<b>614</b>	<b>1,938</b>	<b>17,133</b>	<b>(62)</b>	<b>42,527</b>
<b>Revenue from contracts with customers:</b>									
Recognised at a point in time	1,948	5,902	1,319	11,749	223	1,882	15,109	(8)	<b>38,124</b>
Recognised over time	632	3	214	–	370	56	431	(44)	<b>1,662</b>
	<b>2,580</b>	<b>5,905</b>	<b>1,533</b>	<b>11,749</b>	<b>593</b>	<b>1,938</b>	<b>15,540</b>	<b>(52)</b>	<b>39,786</b>
<b>Revenue from other sources:</b>									
Rental income from investment properties	5	–	983	–	–	–	2	(10)	<b>980</b>
Revenue from financial services companies	–	–	–	–	–	–	1,376	–	<b>1,376</b>
Other	–	–	149	–	21	–	215	–	<b>385</b>
	<b>5</b>	<b>–</b>	<b>1,132</b>	<b>–</b>	<b>21</b>	<b>–</b>	<b>1,593</b>	<b>(10)</b>	<b>2,741</b>
	<b>2,585</b>	<b>5,905</b>	<b>2,665</b>	<b>11,749</b>	<b>614</b>	<b>1,938</b>	<b>17,133</b>	<b>(62)</b>	<b>42,527</b>

**3 Revenue** (continued)

	Jardine Pacific US\$m	Jardine Motors US\$m	Hongkong Land US\$m	Dairy Farm US\$m	Mandarin Oriental US\$m	Jardine Cycle & Carriage US\$m	Astra US\$m	Intersegment transactions US\$m	Group US\$m
<i>2017</i>									
<i>By product and service:</i>									
Property	6	–	1,616	–	–	–	–	(9)	1,613
Motor vehicles	–	5,543	–	–	–	1,972	7,108	–	14,623
Retail and restaurants	654	–	–	11,289	–	–	–	–	11,943
Financial services	–	–	–	–	–	–	1,421	–	1,421
Engineering, heavy equipment, mining and construction	525	–	–	–	–	–	4,766	(14)	5,277
Hotels	–	–	–	–	611	–	–	(2)	609
Other	1,206	–	–	–	–	–	2,070	(14)	3,262
	2,391	5,543	1,616	11,289	611	1,972	15,365	(39)	38,748
<i>By geographical location of customers:</i>									
Greater China	1,744	2,864	1,302	6,871	242	–	–	(34)	12,989
Southeast Asia	647	–	314	4,418	23	1,972	15,365	(5)	22,734
United Kingdom	–	2,679	–	–	46	–	–	–	2,725
Rest of the world	–	–	–	–	300	–	–	–	300
	2,391	5,543	1,616	11,289	611	1,972	15,365	(39)	38,748
<i>Revenue from contracts with customers:</i>									
Recognised at a point in time	1,795	5,541	292	11,289	235	1,928	13,305	(8)	34,377
Recognised over time	590	2	272	–	354	44	404	(22)	1,644
	2,385	5,543	564	11,289	589	1,972	13,709	(30)	36,021
<i>Revenue from other sources:</i>									
Rental income from investment properties	6	–	912	–	–	–	1	(9)	910
Revenue from financial services companies	–	–	–	–	–	–	1,422	–	1,422
Other	–	–	140	–	22	–	233	–	395
	6	–	1,052	–	22	–	1,656	(9)	2,727
	2,391	5,543	1,616	11,289	611	1,972	15,365	(39)	38,748

No interest income calculated using effective interest method had been included in revenue from contracts with customers in 2018 and 2017.

### 3 Revenue (continued)

#### Contract balances

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

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

Contract liabilities primarily relate to the advance consideration received from customers relating to properties for sale, motor vehicles, retail and restaurants, and engineering, heavy equipment, mining and construction, for which revenue is recognised over time.

Contract assets and contract liabilities are further analysed as follows:

	2018	2017
	US\$m	US\$m
Contract assets (refer note 16)		
– properties for sale	319	214
– engineering, heavy equipment, mining and construction	481	289
– other	11	3
	<b>811</b>	506
– provision for impairment	(17)	(11)
	<b>794</b>	495
Contract liabilities (refer note 29)		
– properties for sale	353	854
– motor vehicles	375	328
– retail and restaurants	135	135
– engineering, heavy equipment, mining and construction	110	130
– other	101	53
	<b>1,074</b>	1,500

Increases in contract assets during the year were in line with the growth of the Group's contracted sales. Decreases in contract liabilities during the year were in line with the completion of pre-sale property projects.

Contract assets include costs to fulfil of US\$285 million (2017: US\$203 million). Costs to fulfil of US\$181 million (2017: US\$233 million) have been recognised in profit and loss during the year.

Costs to obtain contracts of US\$23 million (2017: US\$6 million) have been recognised in profit and loss during the year.

**3 Revenue** (continued)**Revenue recognised in relation to contract liabilities**

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

	<b>2018</b>	2017
	US\$m	US\$m
Properties for sale	<b>806</b>	155
Motor vehicles	<b>160</b>	172
Retail and restaurants	<b>135</b>	125
Engineering, heavy equipment, mining and construction	<b>50</b>	44
Other	<b>56</b>	15
	<b>1,207</b>	511

**Revenue expected to be recognised on unsatisfied contracts with customers**

The following table shows the timing of revenue to be recognised on unsatisfied performance obligations at 31st December 2018:

	Properties for sale	Motor vehicles	Engineering, heavy equipment, mining and construction	Other	Total
	US\$m	US\$m	US\$m	US\$m	US\$m
Within one year	716	96	790	75	<b>1,677</b>
Between one and two years	142	63	133	13	<b>351</b>
Between two and three years	100	36	138	2	<b>276</b>
Between three and four years	–	18	19	1	<b>38</b>
Between four and five years	10	10	3	–	<b>23</b>
Beyond five years	–	–	2	–	<b>2</b>
	<b>968</b>	<b>223</b>	<b>1,085</b>	<b>91</b>	<b>2,367</b>

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

## 4 Net Operating Costs

	2018	2017
	US\$m	US\$m
Cost of sales	<b>(32,140)</b>	(29,381)
Other operating income	<b>788</b>	1,073
Selling and distribution costs	<b>(4,682)</b>	(4,483)
Administration expenses	<b>(2,216)</b>	(2,002)
Other operating expenses	<b>(1,180)</b>	(143)
	<b>(39,430)</b>	(34,936)
<b><i>The following credits/(charges) are included in net operating costs:</i></b>		
Cost of stocks recognised as expense	<b>(28,650)</b>	(26,173)
Cost of properties for sale recognised as expense	<b>(1,396)</b>	(442)
Amortisation of intangible assets	<b>(137)</b>	(127)
Depreciation of tangible assets	<b>(949)</b>	(829)
Depreciation of bearer plants	<b>(25)</b>	(25)
Impairment of intangible assets	<b>(127)</b>	(12)
Impairment of tangible assets	<b>(205)</b>	(8)
Write down of stocks and work in progress	<b>(80)</b>	(51)
Reversal of write down of stocks and work in progress	<b>33</b>	34
Impairment of financing debtors	<b>(147)</b>	(148)
Impairment of trade debtors, contract assets and other debtors	<b>(80)</b>	(57)
Operating expenses arising from investment properties	<b>(179)</b>	(176)
Net foreign exchange (losses)/gains	<b>(12)</b>	3
Employee benefit expense		
– salaries and benefits in kind	<b>(3,768)</b>	(3,498)
– share options granted	<b>(6)</b>	(8)
– defined benefit pension plans (refer note 18)	<b>(87)</b>	(90)
– defined contribution pension plans	<b>(102)</b>	(96)
	<b>(3,963)</b>	(3,692)
Operating lease expenses		
– minimum lease payments	<b>(1,242)</b>	(1,170)
– contingent rents	<b>(58)</b>	(42)
– subleases	<b>44</b>	40
	<b>(1,256)</b>	(1,172)
Auditors' remuneration		
– audit	<b>(19)</b>	(19)
– non-audit services	<b>(3)</b>	(4)
	<b>(22)</b>	(23)
Dividend income from equity investments	<b>66</b>	49
Interest income from debt investments	<b>41</b>	40
Rental income from properties	<b>31</b>	33
<b><i>Net operating costs included the following gains/(losses) from non-trading items:</i></b>		
Change in fair value of other investments	<b>(476)</b>	366
Sale and closure of businesses	<b>132</b>	(10)
Sale of property interests	<b>34</b>	194
Restructuring of businesses (refer note 9)	<b>(467)</b>	–
Reclassification of a joint venture as a subsidiary	<b>(61)</b>	–
Redevelopment of a hotel	<b>(27)</b>	–
Other	<b>(7)</b>	3
	<b>(872)</b>	553

## 5 Net Financing Charges

	2018	2017
	US\$m	US\$m
Interest expense		
– bank loans and advances	(290)	(166)
– other	(131)	(119)
	(421)	(285)
Fair value losses on fair value hedges	(9)	(6)
Fair value adjustment on hedged items attributable to the hedged risk	9	6
	–	–
	(421)	(285)
Interest capitalised	17	52
Commitment and other fees	(88)	(101)
Financing charges	(492)	(334)
Financing income	180	173
	(312)	(161)

## 6 Share of Results of Associates and Joint Ventures

	2018	2017
	US\$m	US\$m
<b>By business:</b>		
Jardine Pacific	128	121
Jardine Motors	86	29
Jardine Lloyd Thompson	43	62
Hongkong Land	429	248
Dairy Farm	133	142
Mandarin Oriental	6	11
Jardine Cycle & Carriage	127	104
Astra	479	446
Corporate and other interests	–	1
	1,431	1,164
<b>Share of results of associates and joint ventures included the following gains/(losses) from non-trading items:</b>		
Change in fair value of investment properties	189	(32)
Change in fair value of other investments	1	1
Sale and closure of businesses	1	1
Costs associated with regulatory reviews	(17)	–
Merger-related costs	(15)	–
Other	(2)	(10)
	157	(40)

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

## 7 Tax

	2018	2017
	US\$m	US\$m
<b>Tax charged to profit and loss is analysed as follows:</b>		
Current tax	<b>(928)</b>	(854)
Deferred tax	<b>(36)</b>	32
	<b>(964)</b>	(822)
Greater China	<b>(326)</b>	(302)
Southeast Asia	<b>(648)</b>	(510)
United Kingdom	<b>(2)</b>	(4)
Rest of the world	<b>12</b>	(6)
	<b>(964)</b>	(822)
<b>Reconciliation between tax expense and tax at the applicable tax rate*:</b>		
Tax at applicable tax rate	<b>(835)</b>	(1,520)
Income not subject to tax		
– change in fair value of investment properties	<b>205</b>	785
– other items	<b>120</b>	153
Expenses not deductible for tax purposes		
– change in fair value of investment properties	<b>(4)</b>	(2)
– other items	<b>(296)</b>	(111)
Tax losses and temporary differences not recognised	<b>(85)</b>	(47)
Utilisation of previously unrecognised tax losses and temporary differences	<b>3</b>	13
Recognition of previously unrecognised tax losses and temporary differences	<b>1</b>	4
Deferred tax assets written off	<b>(7)</b>	(1)
Deferred tax liabilities written back	<b>3</b>	–
Underprovision in prior years	<b>(11)</b>	(9)
Withholding tax	<b>(65)</b>	(65)
Land appreciation tax in mainland China	<b>(15)</b>	(20)
Tax refund on disposal of other investments in prior year	<b>19</b>	–
Change in tax rate	<b>1</b>	–
Other	<b>2</b>	(2)
	<b>(964)</b>	(822)
<b>Tax relating to components of other comprehensive income is analysed as follows:</b>		
Remeasurements of defined benefit plans	<b>3</b>	(8)
Cash flow hedges	<b>(13)</b>	8
	<b>(10)</b>	–

Share of tax charge of associates and joint ventures of US\$528 million (2017: US\$482 million) is included in share of results of associates and joint ventures. There is no share of tax charge included in the share of other comprehensive income of associates and joint ventures in 2018 and 2017.

\*The applicable tax rate for the year was 20.7% (2017: 18.2%) and represents the weighted average of the rates of taxation prevailing in the territories in which the Group operates.

## 8 Earnings per Share

Basic earnings per share are calculated on profit attributable to shareholders of US\$1,732 million (2017: US\$3,943 million) and on the weighted average number of 376 million (2017: 376 million) shares in issue during the year.

Diluted earnings per share are calculated on profit attributable to shareholders of US\$1,731 million (2017: US\$3,941 million), which is after adjusting for the effects of the conversion of dilutive potential ordinary shares of subsidiaries, associates or joint ventures, and on the weighted average number of 376 million (2017: 377 million) shares in issue during the year.

The weighted average number of shares is arrived at as follows:

	Ordinary shares in millions	
	2018	2017
Weighted average number of shares in issue	732	720
Company's share of shares held by subsidiaries	(356)	(344)
Weighted average number of shares for basic earnings per share calculation	376	376
Adjustment for shares deemed to be issued for no consideration under the Senior Executive Share Incentive Schemes	–	1
Weighted average number of shares for diluted earnings per share calculation	376	377

Additional basic and diluted earnings per share are also calculated based on underlying profit attributable to shareholders. A reconciliation of earnings is set out below:

	2018			2017		
	US\$m	Basic earnings per share US\$	Diluted earnings per share US\$	US\$m	Basic earnings per share US\$	Diluted earnings per share US\$
Profit attributable to shareholders	1,732	4.60	4.59	3,943	10.48	10.46
Non-trading items (refer note 9)	(29)			(2,400)		
Underlying profit attributable to shareholders	1,703	4.53	4.52	1,543	4.10	4.09



## 9 Non-trading Items

	2018	2017
	US\$m	US\$m
<b>By business:</b>		
Jardine Pacific	23	12
Jardine Motors	2	204
Jardine Lloyd Thompson	(34)	(4)
Hongkong Land	603	1,952
Dairy Farm	(217)	–
Mandarin Oriental	(14)	–
Jardine Cycle & Carriage	(280)	100
Astra	3	6
Corporate and other interests	(57)	130
	<b>29</b>	<b>2,400</b>
<b>An analysis of non-trading items after interest, tax and non-controlling interests is set out below:</b>		
Change in fair value of investment properties		
– Hongkong Land	594	1,930
– other	19	19
	613	1,949
Change in fair value of other investments	(316)	255
Sale and closure of businesses	80	1
Sale of property interests	23	194
Tax refund on disposal of other investments in prior year	16	–
Restructuring of businesses	(296)	–
Reclassification of a joint venture as a subsidiary	(40)	–
Redevelopment of a hotel	(18)	–
Costs associated with regulatory reviews	(17)	–
Merger-related costs	(15)	–
Other	(1)	1
	<b>29</b>	<b>2,400</b>

Restructuring of businesses related to Dairy Farm's restructuring of its Southeast Asia Food business following the completion of a strategic review. The charges comprised impairment charges of the carrying values of certain goodwill and assets, as well as provisions related to the associated leases of the underperforming stores and future payments to landlords, tenants and employees.

Sale and closure of businesses included a gain of US\$94 million related to the disposal of a subsidiary in the Philippines by Dairy Farm under a partnership arrangement with Robinsons Retail Holdings, Inc. ('Robinsons Retail'), a multi-format retailer listed on the Philippine Stock Exchange (refer note 14).

## 10 Intangible Assets

	Goodwill US\$m	Franchise rights US\$m	Leasehold land US\$m	Concession rights US\$m	Deferred exploration costs US\$m	Other US\$m	Total US\$m	
<b>2018</b>								
Cost	1,303	158	999	563	120	497	<b>3,640</b>	
Amortisation and impairment	(88)	–	(247)	(31)	(29)	(236)	<b>(631)</b>	
Net book value at 1st January	1,215	158	752	532	91	261	<b>3,009</b>	
Exchange differences	(43)	(10)	(47)	(35)	(1)	(9)	<b>(145)</b>	
New subsidiaries	271	–	–	–	428	6	<b>705</b>	
Additions	–	–	17	25	14	109	<b>165</b>	
Disposals	(102)	–	(3)	–	–	(21)	<b>(126)</b>	
Revaluation surplus before transfer to investment properties	–	–	2	–	–	–	<b>2</b>	
Transfer from investment properties	–	–	32	–	–	–	<b>32</b>	
Amortisation	–	–	(39)	(4)	(22)	(72)	<b>(137)</b>	
Impairment charge	(117)	–	–	–	–	(10)	<b>(127)</b>	
Net book value at 31st December	<b>1,224</b>	<b>148</b>	<b>714</b>	<b>518</b>	<b>510</b>	<b>264</b>	<b>3,378</b>	
Cost	1,443	148	983	552	989	508	<b>4,623</b>	
Amortisation and impairment	(219)	–	(269)	(34)	(479)	(244)	<b>(1,245)</b>	
	<b>1,224</b>	<b>148</b>	<b>714</b>	<b>518</b>	<b>510</b>	<b>264</b>	<b>3,378</b>	
<b>2017</b>								
Cost	1,278	159	938	484	75	432	3,366	
Amortisation and impairment	(86)	–	(211)	(28)	(25)	(191)	(541)	
Net book value at 1st January	1,192	159	727	456	50	241	2,825	
Exchange differences	18	(1)	(4)	(5)	–	2	10	
New subsidiaries	11	–	–	–	38	–	49	
Additions	–	–	65	84	6	110	265	
Disposals	(3)	–	(1)	–	–	–	(4)	
Revaluation surplus before transfer to investment properties	–	–	6	–	–	–	6	
Transfer to investment properties	–	–	(1)	–	–	–	(1)	
Amortisation	–	–	(40)	(3)	(3)	(81)	(127)	
Impairment charge	(1)	–	–	–	–	(11)	(12)	
Reclassified to assets held for sale	(2)	–	–	–	–	–	(2)	
Net book value at 31st December	1,215	158	752	532	91	261	3,009	
Cost	1,303	158	999	563	120	497	3,640	
Amortisation and impairment	(88)	–	(247)	(31)	(29)	(236)	(631)	
	1,215	158	752	532	91	261	3,009	
							<b>2018</b>	2017
							US\$m	US\$m
<b>Goodwill allocation by business:</b>								
Jardine Pacific							<b>71</b>	70
Jardine Motors							<b>64</b>	67
Dairy Farm							<b>585</b>	723
Mandarin Oriental							<b>39</b>	39
Astra							<b>465</b>	316
							<b>1,224</b>	1,215

## 10 Intangible Assets (continued)

Goodwill relating to Dairy Farm is allocated to groups of cash-generating units ('CGU') identified by banners or group of stores acquired in each geographical segment. Dairy Farm management has assessed the recoverable amount of each CGU based on value in use calculations using cash flow projections based on approved budgets which have forecasts covering a period of three years and projections for a further two years.

Total impairment charge of goodwill of US\$117 million recognised in the profit and loss in 2018 included an impairment charge of US\$102 million related to Dairy Farm's Giant businesses in Malaysia and Singapore following the completion of a strategic review of its Southeast Asia Food business. Goodwill related to the Malaysian Giant business was fully impaired during the year and goodwill related to the Singapore Giant business has been reduced to its estimated recoverable amount.

Key assumptions used for value-in-use calculations for the remaining significant balances of Dairy Farm goodwill in 2018 include budgeted gross margins between 21% and 30% and average sales growth rates are between 0.3% and 3.8% to project cash flows, which vary across the Group's business segments and geographical locations, over a five-year period and thereafter, and are based on management expectations for the market development; and pre-tax discount rates between 6% and 14% applied to the cash flow projections. The discount rates used reflect business specific risks relating to the relevant industry, business life-cycle and geographical location. On the basis of this review, management concluded that no further impairment charge was required.

Goodwill relating to Astra included goodwill arising from acquisition of shares in Astra and Astra's acquisition of 95% interest in PT Agincourt Resources in 2018 (*refer note 31 (d)*). For the purpose of impairment review in respect of goodwill arising from acquisition of shares in Astra, the carrying value of Astra is compared with the recoverable amount measured by reference to the quoted market price of the shares held. On the basis of this review and the continued expected level of profitability, management concluded that no impairment has occurred.

Franchise rights are rights under franchise agreements with automobile and heavy equipment manufacturers. These franchise agreements are deemed to have indefinite lives because either they do not have any term of expiry or their renewal would be probable and would not involve significant costs, taking into account the history of renewal and the relationships between the franchisee and the contracting parties. The carrying amounts of franchise rights, which included automotive of US\$53 million and heavy equipment of US\$93 million, are not amortised as such rights will contribute cash flows for an indefinite period. Management has performed an impairment review of the carrying amounts of franchise rights at 31st December 2018 and has concluded that no impairment has occurred. The impairment review was made by comparing the carrying amounts of the cash-generating units in which the franchise rights reside with the recoverable amounts of the cash-generating units. The recoverable amounts of the cash-generating units are determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on budgets covering a three-year period. Cash flows beyond the three-year period are extrapolated using growth rates between 3% and 4%. Pre-tax discount rate of 14% reflecting business specific risks, is applied to the cash flow projections.

Other intangible assets comprise trademarks, computer software, deferred acquisition costs for insurance contracts and customer contracts.

At 31st December 2018, the carrying amount of leasehold land pledged as security for borrowings amounted to US\$4 million (2017: US\$4 million) (*refer note 28*).

The amortisation charges are all recognised in arriving at operating profit and are included in cost of sales, selling and distribution costs and administration expenses.

The remaining amortisation periods for intangible assets are as follows:

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Leasehold land	up to 81 years
Concession rights	by traffic volume over 37 to 41 years
Computer software	up to 7 years
Deferred exploration costs	by unit of production
Other	various

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## 11 Tangible Assets

	Freehold properties US\$m	Leasehold properties US\$m	Leasehold improve- ments US\$m	Mining properties US\$m	Plant & machinery US\$m	Furniture, equipment & motor vehicles US\$m	Total US\$m
<b>2018</b>							
Cost	1,166	3,264	1,516	1,156	4,418	2,077	<b>13,597</b>
Depreciation and impairment	(112)	(744)	(944)	(722)	(2,791)	(1,276)	<b>(6,589)</b>
Net book value at 1st January	1,054	2,520	572	434	1,627	801	<b>7,008</b>
Exchange differences	(38)	(89)	(14)	1	(95)	(42)	<b>(277)</b>
New subsidiaries	–	–	10	682	142	4	<b>838</b>
Additions	55	222	167	–	793	287	<b>1,524</b>
Disposals	(8)	(25)	(39)	–	(33)	(15)	<b>(120)</b>
Revaluation surplus before transfer to investment properties	–	1	–	–	–	–	<b>1</b>
Transfer to investment properties	–	(5)	–	–	–	–	<b>(5)</b>
Transfer to stock and work in progress	–	–	–	–	(2)	(27)	<b>(29)</b>
Depreciation charge	(11)	(124)	(140)	(20)	(426)	(228)	<b>(949)</b>
Impairment charge	(24)	(128)	(11)	–	(21)	(21)	<b>(205)</b>
Net book value at 31st December	<b>1,028</b>	<b>2,372</b>	<b>545</b>	<b>1,097</b>	<b>1,985</b>	<b>759</b>	<b>7,786</b>
Cost	1,154	3,313	1,527	1,797	5,053	2,068	<b>14,912</b>
Depreciation and impairment	(126)	(941)	(982)	(700)	(3,068)	(1,309)	<b>(7,126)</b>
	<b>1,028</b>	<b>2,372</b>	<b>545</b>	<b>1,097</b>	<b>1,985</b>	<b>759</b>	<b>7,786</b>
<b>2017</b>							
Cost	1,010	3,030	1,343	1,058	3,772	1,960	12,173
Depreciation and impairment	(103)	(639)	(841)	(715)	(2,494)	(1,142)	(5,934)
Net book value at 1st January	907	2,391	502	343	1,278	818	6,239
Exchange differences	81	21	23	–	7	2	134
New subsidiaries	8	11	1	103	75	1	199
Additions	78	207	181	–	623	256	1,345
Disposals	(7)	(3)	(9)	–	(8)	(13)	(40)
Transfer from/(to) stock and work in progress	–	–	–	–	5	(33)	(28)
Depreciation charge	(13)	(103)	(125)	(12)	(352)	(224)	(829)
Impairment charge	–	–	(1)	–	(1)	(6)	(8)
Reclassified to assets held for sale	–	(4)	–	–	–	–	(4)
Net book value at 31st December	1,054	2,520	572	434	1,627	801	7,008
Cost	1,166	3,264	1,516	1,156	4,418	2,077	13,597
Depreciation and impairment	(112)	(744)	(944)	(722)	(2,791)	(1,276)	(6,589)
	1,054	2,520	572	434	1,627	801	7,008

Impairment charge in 2018 primarily related to Dairy Farm's restructuring of its Southeast Asia Food business (*refer note 9*).

Freehold properties include a hotel property of US\$105 million (*2017: US\$109 million*), which is stated net of a grant of US\$21 million (*2017: US\$21 million*).

Net book value of leasehold properties, plant and machinery and motor vehicles acquired under finance leases amounted to US\$260 million, US\$28 million and US\$2 million (*2017: US\$269 million, US\$3 million and US\$3 million*), respectively.

Rental income from properties and other tangible assets amounted to US\$243 million (*2017: US\$286 million*) including contingent rents of US\$1 million (*2017: US\$3 million*).

## 11 Tangible Assets (continued)

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

	<b>2018</b>	2017
	US\$m	US\$m
Within one year	<b>101</b>	117
Between one and two years	<b>59</b>	70
Between two and five years	<b>52</b>	73
Beyond five years	<b>2</b>	3
	<b>214</b>	263

At 31st December 2018, the carrying amount of tangible assets pledged as security for borrowings amounted to US\$519 million (2017: US\$480 million) (refer note 28).

## 12 Investment Properties

	Completed commercial properties US\$m	Under development commercial properties US\$m	Completed residential properties US\$m	Total US\$m
<b>2018</b>				
At 1st January	32,432	408	698	<b>33,538</b>
Exchange differences	(130)	(18)	(1)	<b>(149)</b>
Additions	118	21	1	<b>140</b>
Transfer	332	(332)	–	<b>–</b>
Transfer to intangible assets	–	(32)	–	<b>(32)</b>
Transfer from tangible assets	–	5	–	<b>5</b>
Change in fair value	1,218	(2)	35	<b>1,251</b>
At 31st December	<b>33,970</b>	<b>50</b>	<b>733</b>	<b>34,753</b>
Freehold properties				<b>168</b>
Leasehold properties				<b>34,585</b>
				<b>34,753</b>
<b>2017</b>				
At 1st January	26,911	1,019	679	28,609
Exchange differences	(173)	45	(4)	(132)
Additions	69	337	–	406
Disposals	(8)	(44)	–	(52)
Transfer	990	(990)	–	–
Transfer from intangible assets	1	–	–	1
Change in fair value	4,642	41	23	4,706
At 31st December	32,432	408	698	33,538
Freehold properties				172
Leasehold properties				33,366
				33,538

## 12 Investment Properties (continued)

The Group measures its investment properties at fair value. The fair values of the Group's investment properties at 31st December 2018 and 2017, which were principally held by Hongkong Land, 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. Hongkong Land 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 valuations are comprehensively reviewed by Hongkong Land.

### ***Fair value measurements of residential properties using no significant unobservable inputs***

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

### ***Fair value measurements of commercial properties using significant unobservable inputs***

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

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

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

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

## 12 Investment Properties (continued)

Information about fair value measurements of Hongkong Land's commercial investment properties using significant unobservable inputs at 31st December 2018:

	Fair value US\$m	Valuation method	Range of significant unobservable inputs	
			Prevailing market rent per month US\$	Capitalisation/ discount rates %
Completed properties				
Hong Kong	31,784	Income capitalisation	5.6 to 37.1 per square foot	2.75 to 5.00
Mainland China	881	Income capitalisation	93.8 per square metre	3.75
Singapore	584	Income capitalisation	7.5 to 8.6 per square foot	3.50 to 4.80
Vietnam and Cambodia	137	Discounted cash flow	21.0 to 44.5 per square metre	12.50 to 15.00
<b>Total</b>	<b>33,386</b>			

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.

Rental income from investment properties amounted to US\$984 million (2017: US\$914 million) including contingent rents of US\$16 million (2017: US\$9 million).

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

	2018 US\$m	2017 US\$m
Within one year	894	826
Between one and two years	652	620
Between two and five years	831	728
Beyond five years	316	321
	<b>2,693</b>	2,495

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

At 31st December 2018, the carrying amount of investment properties pledged as security for borrowings amounted to US\$881 million (2017: US\$899 million) (refer note 28).

### 13 Bearer Plants

The Group's bearer plants are primarily for the production of palm oil.

	2018 US\$m	2017 US\$m
<b>Movements during the year:</b>		
Cost	648	629
Depreciation	(150)	(132)
Net book value at 1st January	498	497
Exchange differences	(32)	(4)
Additions	48	55
Disposals	(2)	(25)
Depreciation charge	(25)	(25)
Net book value at 31st December	487	498
Immature bearer plants	95	118
Mature bearer plants	392	380
	487	498
Cost	644	648
Accumulated depreciation	(157)	(150)
	487	498

At 31st December 2018 and 2017, the Group's bearer plants had not been pledged as security for borrowings.

### 14 Associates and Joint Ventures

	2018 US\$m	2017 US\$m
Listed associates		
– Yonghui	648	696
– Zhongsheng	472	431
– Siam City Cement	332	343
– Jardine Lloyd Thompson	274	288
– Robinsons Retail	214	–
– Greatview	112	118
– other	122	104
	2,174	1,980
Unlisted associates	1,753	1,800
Share of attributable net assets	3,927	3,780
Goodwill on acquisition	1,550	1,222
	5,477	5,002
Listed joint ventures		
– Permata Bank	641	650
– PT Tunas Ridean	112	102
	753	752
Unlisted joint ventures	8,326	7,178
Share of attributable net assets	9,079	7,930
Goodwill on acquisition	55	129
	9,134	8,059
	14,611	13,061



## 14 Associates and Joint Ventures (continued)

	Associates		Joint ventures	
	2018 US\$m	2017 US\$m	2018 US\$m	2017 US\$m
<b>Movements of associates and joint ventures during the year:</b>				
At 1st January				
– as previously reported	<b>5,025</b>	3,458	<b>8,063</b>	7,137
– change in accounting policies (refer note 1)	<b>(23)</b>	(20)	<b>3</b>	24
– as restated	<b>5,002</b>	3,438	<b>8,066</b>	7,161
Share of results after tax and non-controlling interests	<b>557</b>	528	<b>874</b>	636
Share of other comprehensive income after tax and non-controlling interests	<b>(212)</b>	184	<b>(331)</b>	239
Dividends received	<b>(396)</b>	(319)	<b>(546)</b>	(625)
Acquisitions, increases in attributable interests and advances	<b>702</b>	1,444	<b>1,810</b>	1,413
Disposals, decreases in attributable interests and repayment of advances	<b>(203)</b>	(227)	<b>(739)</b>	(833)
Employee share options schemes	<b>27</b>	16	–	–
Reclassification	–	(61)	–	61
Other	–	(1)	–	7
At 31st December	<b>5,477</b>	5,002	<b>9,134</b>	8,059
Fair value of listed associates and joint ventures	<b>6,665</b>	6,873	<b>751</b>	783

Acquisition of associates during the year included Dairy Farm's acquisition of a 20% interest in Robinsons Retail. In November 2018, Dairy Farm completed the exchange of its 100% interest in a Philippine subsidiary, which operates supermarkets and hypermarkets, for a consideration of US\$336 million in the form of a 12.15% interest in the enlarged share capital of Robinsons Retail under a partnership arrangement. This, together with further shares acquired from the existing controlling shareholders and in the market totalling US\$220 million, gave Dairy Farm a total shareholding of 20% in Robinsons Retail.

At the date of acquisition, goodwill amounting to US\$346 million was recognised for the Group's investment in Robinsons Retail. A gain on disposal of the Philippine subsidiary attributable to the Group of US\$94 million was recognised in 2018 and was credited to the profit and loss.

In addition, the Group accepted an offer from Marsh & McLennan Companies to sell the entire 41% interest in Jardine Lloyd Thompson at net proceeds of US\$2.1 billion. The sale is expected to complete in Spring 2019, conditional upon regulatory approvals.

### (a) Investment in associates

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

Nature of investments in material associates in 2018 and 2017:

Name of entity	Nature of business	Country of incorporation/ principal place of business/ place of listing	% of ownership interest	
			2018	2017
Maxim's Caterers Limited ('Maxim's')	Restaurants	Hong Kong/Hong Kong/ Unlisted	<b>50</b>	50
Yonghui Superstores Co., Limited ('Yonghui')	Supermarkets and hypermarkets	Mainland China/ Mainland China/ Shanghai	<b>20</b>	20
Siam City Cement Public Company Limited ('Siam City Cement')	Cement manufacturing	Thailand/Thailand/ Thailand	<b>26</b>	26
PT Astra Daihatsu Motor	Automotive	Indonesia/Indonesia/ Unlisted	<b>32</b>	32

**14 Associates and Joint Ventures** (continued)**Summarised financial information for material associates**

Summarised balance sheets at 31st December (unless otherwise indicated):

	Maxim's US\$m	Yonghui† US\$m	Siam City Cement US\$m	PT Astra Daihatsu Motor US\$m	Total US\$m
<b>2018</b>					
Non-current assets	1,130	2,864	2,341	455	<b>6,790</b>
Current assets					
Cash and cash equivalents	269	836	68	481	<b>1,654</b>
Other current assets	210	2,426	364	439	<b>3,439</b>
Total current assets	479	3,262	432	920	<b>5,093</b>
Non-current liabilities					
Financial liabilities*	(145)	–	(809)	–	<b>(954)</b>
Other non-current liabilities*	(52)	(27)	(161)	(49)	<b>(289)</b>
Total non-current liabilities	(197)	(27)	(970)	(49)	<b>(1,243)</b>
Current liabilities					
Financial liabilities*	(353)	(592)	(211)	–	<b>(1,156)</b>
Other current liabilities*	(144)	(2,252)	(246)	(576)	<b>(3,218)</b>
Total current liabilities	(497)	(2,844)	(457)	(576)	<b>(4,374)</b>
Non-controlling interests	(16)	(119)	(46)	–	<b>(181)</b>
Net assets	<b>899</b>	<b>3,136</b>	<b>1,300</b>	<b>750</b>	<b>6,085</b>
<b>2017</b>					
Non-current assets	1,083	2,195	2,413	574	6,265
Current assets					
Cash and cash equivalents	193	850	52	528	1,623
Other current assets	182	2,032	315	322	2,851
Total current assets	375	2,882	367	850	4,474
Non-current liabilities					
Financial liabilities*	(155)	–	(809)	–	(964)
Other non-current liabilities*	(43)	(20)	(167)	(60)	(290)
Total non-current liabilities	(198)	(20)	(976)	(60)	(1,254)
Current liabilities					
Financial liabilities*	(324)	(61)	(167)	–	(552)
Other current liabilities*	(128)	(1,646)	(250)	(458)	(2,482)
Total current liabilities	(452)	(1,707)	(417)	(458)	(3,034)
Non-controlling interests	(14)	(67)	(45)	–	(126)
Net assets	794	3,283	1,342	906	6,325

\*Financial liabilities exclude trade and other payables and provisions, which are presented under other current and non-current liabilities.

†Based on unaudited summarised balance sheets at 30th September 2018 and 2017.

## 14 Associates and Joint Ventures (continued)

Summarised statements of comprehensive income for the year ended 31st December (unless otherwise indicated):

	Maxim's US\$m	Yonghui† US\$m	Siam City Cement US\$m	PT Astra Daihatsu Motor US\$m	Total US\$m
<b>2018</b>					
Revenue	2,586	8,052	1,370	4,334	<b>16,342</b>
Depreciation and amortisation	(122)	(140)	(109)	(116)	<b>(487)</b>
Interest income	3	8	–	29	<b>40</b>
Interest expense	(1)	(4)	(42)	–	<b>(47)</b>
Profit from underlying business performance	267	145	120	450	<b>982</b>
Tax	(50)	(46)	(19)	(112)	<b>(227)</b>
Profit after tax from underlying business performance	217	99	101	338	<b>755</b>
Profit after tax from non-trading items	–	10	–	–	<b>10</b>
Profit after tax	217	109	101	338	<b>765</b>
Other comprehensive income/(expense)	(7)	–	–	2	<b>(5)</b>
Total comprehensive income	<b>210</b>	<b>109</b>	<b>101</b>	<b>340</b>	<b>760</b>
Dividends received from associates	<b>51</b>	<b>43</b>	<b>19</b>	<b>140</b>	<b>253</b>
<b>2017</b>					
Revenue	2,238	8,148	1,276	3,897	15,559
Depreciation and amortisation	(102)	(152)	(88)	(123)	(465)
Interest income	1	51	2	32	86
Interest expense	–	(27)	(40)	–	(67)
Profit from underlying business performance	235	290	87	401	1,013
Tax	(42)	(58)	(25)	(96)	(221)
Profit after tax from underlying business performance	193	232	62	305	792
Profit after tax from non-trading items	–	22	–	–	22
Profit after tax	193	254	62	305	814
Other comprehensive income/(expense)	19	(2)	–	(3)	14
Total comprehensive income	212	252	62	302	828
Dividends received from associates	51	34	25	122	232

† Based on the unaudited summarised statements of comprehensive income for the nine months ended 30th September 2018 and twelve months ended 30th September 2017.

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

**14 Associates and Joint Ventures** (continued)**Reconciliation of the summarised financial information**

Reconciliation of the summarised financial information presented to the carrying amount of the Group's interests in its material associates for the year ended 31st December:

	Maxim's US\$m	Yonghui US\$m	Siam City Cement US\$m	PT Astra Daihatsu Motor US\$m	Total US\$m
<b>2018</b>					
Net assets	899	3,136	1,300	750	<b>6,085</b>
<i>Interest in associates (%)</i>	50	20	26	32	
Group's share of net assets in associates	450	627	332	239	<b>1,648</b>
Goodwill	–	392	388	–	<b>780</b>
Other	–	21	–	–	<b>21</b>
Carrying value	<b>450</b>	<b>1,040</b>	<b>720</b>	<b>239</b>	<b>2,449</b>
Fair value	<b>N/A</b>	<b>2,189</b>	<b>480</b>	<b>N/A</b>	<b>2,669</b>
<i>2017</i>					
Net assets	794	3,283	1,342	906	6,325
<i>Interest in associates (%)</i>	50	20	26	32	
Group's share of net assets in associates	397	656	343	289	1,685
Goodwill	–	414	386	–	800
Other	–	40	–	–	40
Carrying value	397	1,110	729	289	2,525
Fair value	N/A	2,962	612	N/A	3,574

## 14 Associates and Joint Ventures (continued)

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

	<b>2018</b>	2017
	US\$m	US\$m
Share of profit	<b>291</b>	268
Share of other comprehensive (expense)/income	<b>(81)</b>	81
Share of total comprehensive income	<b>210</b>	349
Carrying amount of interests in these associates	<b>3,028</b>	2,477

### *Contingent liabilities relating to the Group's interest in associates*

	<b>2018</b>	2017
	US\$m	US\$m
Financial guarantee in respect of facilities made available to an associate	<b>20</b>	20

#### (b) Investment in joint ventures

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

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

	Nature of business	Country of incorporation and principal place of business	% of ownership interest	
			<b>2018</b>	2017
Hongkong Land				
– Properties Sub F, Ltd	Property investment	Macau	<b>49</b>	49
– BFC Development LLP	Property investment	Singapore	<b>33</b>	33
– Central Boulevard Development Pte Ltd	Property investment	Singapore	<b>33</b>	33
– One Raffles Quay Pte Ltd	Property investment	Singapore	<b>33</b>	33
Astra				
– PT Astra Honda Motor	Automotive	Indonesia	<b>50</b>	50
– PT Bank Permata Tbk (‘Permata Bank’)	Commercial and retail bank	Indonesia	<b>45</b>	45

At 31st December 2018, the fair value of the Group's interest in Permata Bank, which is listed on the Indonesian Stock Exchange, was US\$539 million (2017: US\$576 million) and the carrying amount of the Group's interest was US\$675 million (2017: US\$688 million).

**14 Associates and Joint Ventures** (continued)**Summarised financial information for material joint ventures**

Summarised balance sheets 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	PT Astra Honda Motor US\$m	Permata Bank US\$m	Total US\$m
<b>2018</b>							
Non-current assets	1,380	3,683	2,848	2,804	1,394	3,569	<b>15,678</b>
Current assets							
Cash and cash equivalents	65	14	19	7	535	1,685	<b>2,325</b>
Other current assets	35	1	1	3	415	5,191	<b>5,646</b>
Total current assets	100	15	20	10	950	6,876	<b>7,971</b>
Non-current liabilities							
Financial liabilities*	–	(1,248)	(1,181)	(764)	–	(158)	<b>(3,351)</b>
Other non-current liabilities*	(147)	–	(20)	(205)	(235)	(101)	<b>(708)</b>
Total non-current liabilities	(147)	(1,248)	(1,201)	(969)	(235)	(259)	<b>(4,059)</b>
Current liabilities							
Financial liabilities*	–	–	(4)	(1)	–	(173)	<b>(178)</b>
Other current liabilities*	(47)	(61)	(35)	(41)	(790)	(8,575)	<b>(9,549)</b>
Total current liabilities	(47)	(61)	(39)	(42)	(790)	(8,748)	<b>(9,727)</b>
Net assets	<b>1,286</b>	<b>2,389</b>	<b>1,628</b>	<b>1,803</b>	<b>1,319</b>	<b>1,438</b>	<b>9,863</b>
<b>2017</b>							
Non-current assets	1,373	3,628	2,797	2,767	1,438	3,564	15,567
Current assets							
Cash and cash equivalents	25	13	17	12	473	1,325	1,865
Other current assets	30	2	5	2	426	5,939	6,404
Total current assets	55	15	22	14	899	7,264	8,269
Non-current liabilities							
Financial liabilities*	–	(1,275)	(1,211)	(778)	–	(353)	(3,617)
Other non-current liabilities*	(146)	–	(21)	(200)	(244)	(105)	(716)
Total non-current liabilities	(146)	(1,275)	(1,232)	(978)	(244)	(458)	(4,333)
Current liabilities							
Financial liabilities*	–	(1)	(6)	(4)	–	(132)	(143)
Other current liabilities*	(47)	(62)	(35)	(48)	(702)	(8,776)	(9,670)
Total current liabilities	(47)	(63)	(41)	(52)	(702)	(8,908)	(9,813)
Net assets	1,235	2,305	1,546	1,751	1,391	1,462	9,690

\*Financial liabilities exclude trade and other payables and provisions, which are presented under other current and non-current liabilities.

## 14 Associates and Joint Ventures (continued)

Summarised statements 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	PT Astra Honda Motor US\$m	Permata Bank US\$m	Total US\$m
<b>2018</b>							
Revenue	87	158	110	112	5,129	886	<b>6,482</b>
Depreciation and amortisation	(8)	–	–	–	(114)	(17)	<b>(139)</b>
Interest income	–	–	–	–	35	–	<b>35</b>
Interest expense	(1)	(47)	(32)	(25)	–	–	<b>(105)</b>
Profit from underlying business performance	44	72	49	61	600	54	<b>880</b>
Tax	(5)	(12)	(8)	(11)	(150)	(5)	<b>(191)</b>
Profit after tax from underlying business performance	39	60	41	50	450	49	<b>689</b>
Profit after tax from non-trading items	13	132	110	85	–	–	<b>340</b>
Profit after tax	52	192	151	135	450	49	<b>1,029</b>
Other comprehensive income/(expense)	(2)	(36)	(26)	(34)	1	(5)	<b>(102)</b>
Total comprehensive income	<b>50</b>	<b>156</b>	<b>125</b>	<b>101</b>	<b>451</b>	<b>44</b>	<b>927</b>
Dividends received from joint ventures	<b>18</b>	<b>24</b>	<b>14</b>	<b>17</b>	<b>223</b>	–	<b>296</b>
<b>2017</b>							
Revenue	81	151	109	118	4,749	954	6,162
Depreciation and amortisation	(8)	–	–	–	(127)	(21)	(156)
Interest income	–	–	–	–	32	–	32
Interest expense	–	(39)	(28)	(22)	–	–	(89)
Profit/(loss) from underlying business performance	41	78	55	70	596	(6)	834
Tax	(5)	(13)	(9)	(12)	(146)	(16)	(201)
Profit/(loss) after tax from underlying business performance	36	65	46	58	450	(22)	633
Profit after tax from non-trading items	13	58	43	33	–	–	147
Profit/(loss) after tax	49	123	89	91	450	(22)	780
Other comprehensive income/(expense)	(10)	170	115	128	(8)	(6)	389
Total comprehensive income/(expense)	39	293	204	219	442	(28)	1,169
Dividends received from joint ventures	10	21	24	20	223	–	298

The information contained in the summarised balance sheets and statements of comprehensive income reflect the amounts presented in the financial statements of the joint ventures adjusted for differences in accounting policies between the Group and the joint ventures, and fair value of the joint ventures at the time of acquisition. 2017 information was restated, where appropriate, for changes in accounting policies upon adoption of IFRS 9 'Financial Instruments' and IFRS 15 'Revenue from Contracts with Customers'.

**14 Associates and Joint Ventures** (continued)**Reconciliation of the summarised financial information**

Reconciliation of the summarised financial information presented to the carrying amount of the Group's interests in its 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	PT Astra Honda Motor US\$m	Permata Bank US\$m	Total US\$m
<b>2018</b>							
Net assets	1,286	2,389	1,628	1,803	1,319	1,438	<b>9,863</b>
Shareholders' loans	–	1,248	–	104	–	–	<b>1,352</b>
Adjusted net assets	1,286	3,637	1,628	1,907	1,319	1,438	<b>11,215</b>
Interest in joint ventures (%)	49	33	33	33	50	45	
Group's share of net assets in joint ventures	630	1,212	543	636	660	641	<b>4,322</b>
Goodwill	–	–	–	–	–	34	<b>34</b>
Carrying value	<b>630</b>	<b>1,212</b>	<b>543</b>	<b>636</b>	<b>660</b>	<b>675</b>	<b>4,356</b>
<b>2017</b>							
Net assets	1,235	2,305	1,546	1,751	1,391	1,462	9,690
Shareholders' loans	–	1,275	–	101	–	–	1,376
Adjusted net assets	1,235	3,580	1,546	1,852	1,391	1,462	11,066
Interest in joint ventures (%)	49	33	33	33	50	45	
Group's share of net assets in joint ventures	605	1,193	515	617	695	651	4,276
Goodwill	–	–	–	–	–	37	37
Carrying value	605	1,193	515	617	695	688	4,313

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.

	<b>2018</b> US\$m	2017 US\$m
Share of profit	<b>443</b>	301
Share of other comprehensive (expense)/income	<b>(102)</b>	102
Share of total comprehensive income	<b>341</b>	403
Carrying amount of interests in these joint ventures	<b>4,778</b>	3,746

**Commitments and contingent liabilities in respect of joint ventures**

The Group has the following commitments relating to its joint ventures as at 31st December:

	<b>2018</b> US\$m	2017 US\$m
Commitment to provide funding if called	<b>1,359</b>	1,349

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



## 15 Other Investments

	2018	2017
	US\$m	US\$m
Equity investments measured at fair value through profit and loss		
Listed securities		
– Rothschild & Co	149	154
– Schindler Holdings	246	286
– The Bank of N.T. Butterfield & Son	74	90
– Toyota Motor Corporation	168	-
– Vietnam Dairy Products ('Vinamilk')	957	1,338
– other	198	115
	<b>1,792</b>	<b>1,983</b>
Unlisted securities	310	96
	<b>2,102</b>	<b>2,079</b>
Debt investments measured at fair value through other comprehensive income	540	613
Debt investments measured at amortised cost	-	3
	<b>2,642</b>	<b>2,695</b>
Non-current	2,592	2,673
Current	50	22
	<b>2,642</b>	<b>2,695</b>
Debt investments comprised of listed bonds.		
<b>Movements during the year:</b>		
At 1st January		
– as previously reported	2,695	1,434
– change in accounting policy ( <i>refer note 1</i> )	58	-
– as restated	2,753	1,434
Exchange differences	(83)	22
Additions	707	1,609
Disposals and capital repayments	(236)	(460)
Reclassification of equity investments to associates	-	(297)
Unwinding of discount	(1)	(1)
Change in fair value recognised in profit and loss	(476)	366
Change in fair value recognised in other comprehensive income	(22)	22
At 31st December	<b>2,642</b>	<b>2,695</b>

In 2017, Zhongsheng became an associate upon Jardine Strategic's acquisition of additional shares in the company, increasing its interest from 15.5% to 20.0%.

Movements of equity investments which were valued based on unobservable inputs during the year are disclosed in note 40. There was no sale of these investments in 2018. Profit on sale of these investments in 2017 amounted to US\$5 million and was credited to profit and loss.

Management considers debt investments have low credit risk when they have a low risk of default based on credit ratings from major rating agencies.

The fair value of debt investments measured at amortised cost was US\$3 million at 31st December 2017.

## 16 Debtors

	2018 US\$m	2017 US\$m
Consumer financing debtors		
– gross	4,426	4,551
– provision for impairment	(211)	(202)
	4,215	4,349
Financing lease receivables		
– gross investment	393	384
– unearned finance income	(50)	(56)
– net investment	343	328
– provision for impairment	(9)	(9)
	334	319
Financing debtors	4,549	4,668
Trade debtors		
– third parties	2,681	2,485
– associates	28	30
– joint ventures	74	91
	2,783	2,606
– provision for impairment	(81)	(84)
	2,702	2,522
Contract assets ( <i>refer note 3</i> )		
– gross	811	506
– provision for impairment	(17)	(11)
	794	495
Other debtors		
– third parties	2,712	2,274
– associates	14	7
– joint ventures	156	135
	2,882	2,416
– provision for impairment	(7)	(7)
	2,875	2,409
	10,920	10,094
Non-current	3,082	3,042
Current	7,838	7,052
	10,920	10,094
<b>Analysis by geographical area of operation:</b>		
Greater China	1,336	1,088
Southeast Asia	9,323	8,751
United Kingdom	109	127
Rest of the world	152	128
	10,920	10,094

## 16 Debtors (continued)

	2018	2017
	US\$m	US\$m
<b>Fair value:</b>		
Consumer financing debtors	<b>4,286</b>	4,414
Financing lease receivables	<b>337</b>	322
Financing debtors	<b>4,623</b>	4,736
Trade debtors	<b>2,702</b>	2,522
Other debtors*	<b>1,042</b>	882
	<b>8,367</b>	8,140

\*Excluding prepayments, rental and other deposits, and other non-financial debtors.

The fair value of financing debtors is determined based on a discounted cash flow method using unobservable inputs, which are mainly rates of 10% to 35% per annum (2017: 6% to 35% per annum). The higher the rates, the lower the fair value.

The fair value of trade debtors and other debtors, other than short-term debtors, is estimated using the expected future receipts discounted at market rates ranging from 5% to 14% (2017: 13% to 14%) per annum. The fair value of short-term debtors approximates their carrying amounts. Derivative financial instruments are stated at fair value.

### Financing debtors

Financing debtors comprise consumer financing debtors and financing lease receivables. They relate primarily to Astra's motor vehicle and motorcycle financing.

Financing debtors are due within five years (2017: five years) from the balance sheet date and the interest rates range from 9% to 35% per annum (2017: 6% to 35% per annum).

An analysis of financing lease receivables is set out below:

	2018	2017
	US\$m	US\$m
Lease receivables	<b>393</b>	384
Guaranteed residual value	<b>203</b>	211
Security deposits	<b>(203)</b>	(211)
Gross investment	<b>393</b>	384
Unearned lease income	<b>(50)</b>	(56)
Net investment	<b>343</b>	328

The maturity analyses of financing lease receivables at 31st December are as follows:

	2018		2017	
	Gross investment	Net investment	Gross investment	Net investment
	US\$m	US\$m	US\$m	US\$m
Within one year	<b>221</b>	<b>188</b>	186	150
Between one and two years	<b>123</b>	<b>110</b>	127	114
Between two and five years	<b>49</b>	<b>45</b>	71	64
	<b>393</b>	<b>343</b>	384	328

**16 Debtors** (continued)**Impairment of financing debtors**

Before accepting any new customer, the Group assesses the potential customer's credit quality and sets credit limits by customer using internal scoring systems. These limits and scoring are reviewed periodically. The Group obtains collateral in the form of motor vehicles and motorcycles from consumer financing debtors.

The loan period ranges from 6 to 60 months for motor vehicles and motorcycles. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payment are factors in determining the credit risk of financing debtors. To measure the expected credit losses, the financing debtors have been grouped based on shared credit risk characteristics and the days past due. The calculation reflects the probability weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Financing debtors are performing when timely repayments are being made. Financing debtors are underperforming and subject to a significant increase in credit risk when motor vehicles and motorcycle financing debtors are overdue for 30 days. Lifetime expected credit losses are provided at this stage. Financing debtors are non-performing if they are overdue for 90 days. Financing debtors are written off when they are overdue for 150 days and there is no reasonable expectation of recovery. In case of default, the Group facilitates the customer to sell the collateral vehicles under fiduciary arrangements for the purpose of recovering the outstanding receivables.

The Group provides for credit losses against the financing debtors as follows:

	Expected credit loss rate %	Estimated gross carrying amount at default US\$m
Performing	<b>0.03 – 9.24</b>	<b>3,743</b>
Underperforming	<b>0.40 – 16.86</b>	<b>951</b>
Non-performing	<b>0.58 – 100.00</b>	<b>75</b>
		<b>4,769</b>

Movements in the provisions for impairment are as follows:

	2018 US\$m	2017 US\$m
At 1st January		
– as previously reported	<b>(210)</b>	(196)
– change in accounting policies (refer note 1)	<b>(1)</b>	–
– as restated	<b>(211)</b>	(196)
Exchange differences	<b>14</b>	2
Allowance made during the year	<b>(147)</b>	(148)
Write off/utilisation	<b>124</b>	131
At 31st December	<b>(220)</b>	(211)

## 16 Debtors (continued)

The allowance for impairment of financing debtors are further analysed as follows:

	2018	2017
	US\$m	US\$m
Performing	(114)	(115)
Underperforming	(47)	(60)
Non-performing	(59)	(36)
	<b>(220)</b>	<b>(211)</b>

As at 31st December 2018 and 2017, there are no financing debtors that are written off but still subject to enforcement activities.

### Trade and other debtors

The average credit period on sale of goods and services varies among Group businesses and is generally not more than 60 days.

Other debtors are further analysed as follows:

	2018	2017
	US\$m	US\$m
Derivative financial instruments (refer note 32)	189	47
Restricted bank balances and deposits	157	213
Loans to employees	35	38
Other amounts due from associates	14	7
Other amounts due from joint ventures	156	135
Repossessed collateral of finance companies	16	41
Other receivables	483	416
Financial assets	1,050	897
Costs to obtain contracts (refer note 3)	7	24
Prepayments	1,214	998
Reinsurers' share of estimated losses on insurance contracts	77	63
Rental and other deposits	255	231
Other	272	196
	<b>2,875</b>	<b>2,409</b>

### Impairment of trade debtors and contract assets

Before accepting any new customer, the individual Group business assesses the potential customer's credit quality and sets credit limits by customer using internal credit scoring systems. These limits and scoring are reviewed periodically.

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

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

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

**16 Debtors** (continued)

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

	Below 30 days	Between 31 and 60 days	Between 61 and 120 days	More than 120 days	Total
<b>2018</b>					
Expected loss rate	0.6%	1.2%	4.2%	25.4%	
Gross carrying amount – trade debtors (US\$m)	2,076	268	186	253	2,783
Gross carrying amount – contract assets (US\$m)	776	3	5	27	811
Loss allowance (US\$m)	<b>(16)</b>	<b>(3)</b>	<b>(8)</b>	<b>(71)</b>	<b>(98)</b>
<b>2017</b>					
Expected loss rate	0.6%	0.9%	1.4%	25.1%	
Gross carrying amount – trade debtors (US\$m)	1,888	237	196	285	2,606
Gross carrying amount – contract assets (US\$m)	477	4	4	21	506
Loss allowance (US\$m)	(13)	(2)	(3)	(77)	(95)

Movements in the provisions for impairment are as follows:

	Trade debtors		Contract assets		Other debtors	
	2018 US\$m	2017 US\$m	2018 US\$m	2017 US\$m	2018 US\$m	2017 US\$m
At 1st January						
– as previously reported	<b>(78)</b>	(48)	–	–	<b>(7)</b>	(10)
– change in accounting policies (refer note 1)	<b>(6)</b>	–	<b>(11)</b>	(7)	–	–
– as restated	<b>(84)</b>	(48)	<b>(11)</b>	(7)	<b>(7)</b>	(10)
Exchange differences	<b>4</b>	–	–	–	–	–
Disposals	–	–	–	–	<b>1</b>	–
Additional provisions	<b>(74)</b>	(57)	<b>(14)</b>	(7)	<b>(3)</b>	(3)
Unused amounts reversed	<b>8</b>	8	<b>2</b>	2	<b>1</b>	–
Amounts written off	<b>65</b>	13	–	–	<b>1</b>	6
Amortisation	–	–	<b>6</b>	1	–	–
At 31st December	<b>(81)</b>	(84)	<b>(17)</b>	(11)	<b>(7)</b>	(7)

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

At 31st December 2018, the carrying amount of consumer financing debtors, financing lease receivables and other debtors pledged as security for borrowings amounted to US\$1,303 million, US\$22 million and US\$12 million (2017: US\$1,765 million, US\$6 million and US\$11 million), respectively (refer note 28). Trade debtors and contract assets had not been pledged as security for borrowings at 31st December 2018 and 2017.

## 17 Deferred Tax Assets/(Liabilities)

	Accelerated tax depreciation US\$m	Fair value gains/ losses US\$m	Losses US\$m	Employee benefits US\$m	Provisions and other temporary differences US\$m	Total US\$m
<b>2018</b>						
At 1st January						
– as previously reported	(88)	(264)	33	96	83	<b>(140)</b>
– change in accounting policies (refer note 1)	–	–	–	–	(6)	<b>(6)</b>
– as restated	(88)	(264)	33	96	77	<b>(146)</b>
Exchange differences	(6)	8	(1)	(6)	(5)	<b>(10)</b>
New subsidiaries	–	(170)	–	1	(39)	<b>(208)</b>
Disposal	–	–	–	(1)	(1)	<b>(2)</b>
Credited/(charged) to profit and loss	(14)	(11)	–	10	(21)	<b>(36)</b>
Credited/(charged) to other comprehensive income	–	(13)	–	3	–	<b>(10)</b>
Other	–	–	–	–	1	<b>1</b>
At 31st December	<b>(108)</b>	<b>(450)</b>	<b>32</b>	<b>103</b>	<b>12</b>	<b>(411)</b>
Deferred tax assets	144	(50)	32	96	167	<b>389</b>
Deferred tax liabilities	(252)	(400)	–	7	(155)	<b>(800)</b>
	<b>(108)</b>	<b>(450)</b>	<b>32</b>	<b>103</b>	<b>12</b>	<b>(411)</b>
<b>2017</b>						
At 1st January						
– as previously reported	(65)	(253)	30	96	67	(125)
– change in accounting policies (refer note 1)	–	–	–	–	(12)	(12)
– as restated	(65)	(253)	30	96	55	(137)
Exchange differences	(3)	–	1	–	(4)	(6)
New subsidiaries	–	(25)	–	–	(11)	(36)
Credited/(charged) to profit and loss	(20)	6	1	8	37	32
Credited/(charged) to other comprehensive income	–	8	–	(8)	–	–
Other	–	–	1	–	–	1
At 31st December	(88)	(264)	33	96	77	(146)
Deferred tax assets	155	(42)	30	90	173	406
Deferred tax liabilities	(243)	(222)	3	6	(96)	(552)
	(88)	(264)	33	96	77	(146)

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\$190 million (2017: US\$160 million) arising from unused tax losses of US\$816 million (2017: US\$660 million) have not been recognised in the financial statements. Included in the unused tax losses, US\$292 million have no expiry date and the balance will expire at various dates up to and including 2037.

Deferred tax liabilities of US\$551 million (2017: US\$519 million) arising on temporary differences associated with investments in subsidiaries of US\$5,508 million (2017: US\$5,189 million) have not been recognised as there is no current intention of remitting the retained earnings of these subsidiaries to the holding companies in the foreseeable future.

## 18 Pension Plans

The Group operates defined benefit pension plans in the main territories in which it operates, with the major plans in Hong Kong and the United Kingdom. Most of the pension plans are final salary defined benefits, calculated based on members' length of service and their salaries in the final years leading up to retirement. In Hong Kong, the pension benefits are usually paid in one lump sum. With the exception of certain plans in Hong Kong, all the defined benefit plans are closed to new members. In addition, although all plans are impacted by the discount rate, liabilities in Hong Kong are driven by salary growth, whilst the United Kingdom plans are driven by inflationary rates and life expectancy.

The Group's defined benefit plans are either funded or unfunded, with the assets of the funded plans held independently of the Group's assets in separate trustee administered funds. Plan assets held in trusts are governed by local regulations and practices in each country. Responsibility for governance of the plans, including investment decisions and contribution schedules, lies jointly with the company and the boards of trustees. The Group's major plans are valued by independent actuaries annually using the projected unit credit method.

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

	<b>2018</b>	2017
	US\$m	US\$m
Fair value of plan assets	<b>867</b>	991
Present value of funded obligations	<b>(1,013)</b>	(1,090)
	<b>(146)</b>	(99)
Present value of unfunded obligations	<b>(261)</b>	(272)
Net pension liabilities	<b>(407)</b>	(371)
<b><i>Analysis of net pension liabilities:</i></b>		
Pension assets	<b>6</b>	14
Pension liabilities	<b>(413)</b>	(385)
	<b>(407)</b>	(371)



## 18 Pension Plans (continued)

The movement in the net pension liabilities is as follows:

	Fair value of plan assets US\$m	Present value of obligations US\$m	Total US\$m
<b>2018</b>			
At 1st January	991	(1,362)	(371)
Current service cost	–	(64)	(64)
Interest income/(expense)	28	(49)	(21)
Administration expenses	(2)	–	(2)
	26	(113)	(87)
	1,017	(1,475)	(458)
Exchange differences	(26)	47	21
New subsidiaries	1	(5)	(4)
Disposals	–	5	5
Remeasurements			
– return on plan assets, excluding amounts included in interest income	(70)	–	(70)
– change in financial assumptions	–	61	61
– experience loss	–	(16)	(16)
	(70)	45	(25)
Contributions from employers	33	–	33
Contributions from plan participants	4	(4)	–
Benefit payments	(91)	109	18
Settlements	(1)	7	6
Plan amendment	–	(3)	(3)
At 31st December	<b>867</b>	<b>(1,274)</b>	<b>(407)</b>
<b>2017</b>			
At 1st January	901	(1,315)	(414)
Current service cost	–	(61)	(61)
Interest income/(expense)	29	(52)	(23)
Past service cost and gains on settlements	–	(5)	(5)
Administration expenses	(1)	–	(1)
	28	(118)	(90)
	929	(1,433)	(504)
Exchange differences	26	(31)	(5)
Remeasurements			
– return on plan assets, excluding amounts included in interest income	103	–	103
– change in financial assumptions	–	(35)	(35)
– experience gains	–	9	9
	103	(26)	77
Contributions from employers	44	–	44
Contributions from plan participants	4	(4)	–
Benefit payments	(75)	92	17
Settlements	(41)	41	–
Transfer from other plans	1	(1)	–
At 31st December	<b>991</b>	<b>(1,362)</b>	<b>(371)</b>

**18 Pension Plans** (continued)

The weighted average duration of the defined benefit obligations at 31st December 2018 is 12 years (2017: 12 years).

Expected maturity analysis of undiscounted pension benefits at 31st December is as follows:

	<b>2018</b>	2017
	US\$m	US\$m
Within one year	<b>101</b>	95
Between one and two years	<b>88</b>	98
Between two and five years	<b>345</b>	328
Between five and ten years	<b>633</b>	658
Between ten and fifteen years	<b>684</b>	737
Between fifteen and twenty years	<b>829</b>	793
Beyond twenty years	<b>3,780</b>	3,258
	<b>6,460</b>	5,967

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

	Hong Kong		United Kingdom		Others	
	<b>2018</b>	2017	<b>2018</b>	2017	<b>2018</b>	2017
	%	%	%	%	%	%
Discount rate	<b>3.3</b>	2.9	<b>2.7</b>	2.4	<b>7.9</b>	7.0
Salary growth rate	<b>4.8</b>	4.8	–	–	<b>6.4</b>	6.4
Inflation rate	<b>N/A</b>	N/A	<b>3.3</b>	3.2	<b>N/A</b>	N/A

Life expectancy for pensioners in the United Kingdom plans at the age of 65 for male and female are 22 years and 24 years, respectively (2017: 21 years and 23 years). As participants of the plans relating to Hong Kong usually take lump sum amounts upon retirement, mortality rate is not a principal assumption for these plans.

The sensitivity of the defined benefit obligations to changes in the weighted principal assumptions is:

	Change in assumption	(Increase)/decrease on defined benefit obligations	
		Increase in assumption	Decrease in assumption
	%	US\$m	US\$m
Discount rate	1	<b>129</b>	<b>(155)</b>
Salary growth rate	1	<b>(94)</b>	<b>77</b>
Inflation rate	1	<b>(16)</b>	<b>15</b>

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligations to significant actuarial assumptions the same method (present value of the defined benefit obligations calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the pension liability recognised within the balance sheet.

## 18 Pension Plans (continued)

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

	2018 US\$m	2017 US\$m
Equity investments		
Asia Pacific	47	90
Europe	42	54
North America	9	11
Global	9	11
	<b>107</b>	166
Debt investments		
Asia Pacific	41	45
Europe	85	96
	<b>126</b>	141
Investment funds		
Asia Pacific	117	122
Europe	155	147
North America	167	137
Global	137	235
	<b>576</b>	641
Total investments	<b>809</b>	948
Cash and cash equivalents	64	47
Benefits payable and other	(6)	(4)
	<b>867</b>	991

As at 31st December 2018, 100% of equity investments, 100% of debt investments and 72% of investment funds were quoted on active markets (2017: 100%, 100% and 70%, respectively).

The strategic asset allocation is derived from the asset-liability modelling ('ALM') review, done triennially to ensure the plans can meet future funding and solvency requirements. The last ALM review was completed in 2018, with modified strategic asset allocations adopted in 2018. The next ALM review is scheduled for 2021.

As at 31st December 2018, the Hong Kong and United Kingdom plans had assets of US\$488 million and US\$302 million, respectively (2017: US\$550 million and US\$355 million, respectively).

The Group maintains an active and regular contribution schedule across all the plans. The contributions to all its plans in 2018 were US\$33 million and the estimated amount of contributions expected to be paid to all its plans in 2019 is US\$35 million.

## 19 Properties for Sale

	<b>2018</b>	2017
	US\$m	US\$m
Properties in the course of development	<b>2,174</b>	2,420
Completed properties	<b>165</b>	174
	<b>2,339</b>	2,594

At 31st December 2018, properties in the course of development amounting to US\$1,693 million (2017: US\$1,264 million) were not scheduled for completion within the next twelve months.

At 31st December 2018 and 2017, the Group's properties for sale had not been pledged as security for borrowings.

## 20 Stocks and Work in Progress

	<b>2018</b>	2017
	US\$m	US\$m
Finished goods	<b>3,393</b>	3,223
Work in progress	<b>51</b>	55
Raw materials	<b>86</b>	80
Spare parts	<b>86</b>	71
Other	<b>154</b>	107
	<b>3,770</b>	3,536

At 31st December 2018 and 2017, the Group's stocks and work in progress had not been pledged as security for borrowings.

## 21 Bank Balances and Other Liquid Funds

	2018	2017
	US\$m	US\$m
Deposits with banks and financial institutions	<b>3,021</b>	3,540
Bank balances	<b>1,824</b>	2,301
Cash balances	<b>143</b>	164
	<b>4,988</b>	6,005
<b>Analysis by currency:</b>		
Chinese renminbi	<b>765</b>	446
Euro	<b>44</b>	38
Hong Kong dollar	<b>222</b>	365
Indonesian rupiah	<b>1,209</b>	1,968
Japanese yen	<b>25</b>	23
Macau patacas	<b>29</b>	28
Malaysian ringgit	<b>63</b>	65
New Taiwan dollar	<b>75</b>	76
Singapore dollar	<b>388</b>	757
United Kingdom sterling	<b>41</b>	30
United States dollar	<b>2,078</b>	2,165
Other	<b>49</b>	44
	<b>4,988</b>	6,005

The weighted average interest rate on deposits with banks and financial institutions is 2.7% (2017: 2.1%) per annum.

## 22 Share Capital

	2018	2017
	US\$m	US\$m
<b>Authorised:</b>		
1,000,000,000 shares of US\$25 each	<b>250</b>	250

	Ordinary shares in millions		2018	2017
	2018	2017	US\$m	US\$m
<b>Issued and fully paid:</b>				
At 1st January	<b>726</b>	714	<b>181</b>	178
Scrip issued in lieu of dividends	<b>11</b>	12	<b>3</b>	3
At 31st December	<b>737</b>	726	<b>184</b>	181

### 23 Share-based Long-term Incentive Plans

Share-based long-term incentive plans ("LTIP") have been put in place to provide incentives for selected executives. Awards take the form of share options to purchase ordinary shares in the Company with exercise prices based on the then prevailing market prices, however, share awards which will vest free of payment may also be made. Awards normally vest on or after the third anniversary of the date of grant and may be subject to the achievement of performance conditions.

The 2015 LTIP was adopted by the Company on 5th March 2015. During 2018, awards were granted in the form of options with exercise prices based on the then prevailing market prices, and no free shares were granted. Prior to the adoption of the 2015 LTIP, The Jardine Matheson International Share Option Plan 2005 and The Jardine Matheson Holdings Limited Tax-Qualified Share Option Plan 2005 (formerly The Jardine Matheson Holdings Limited Approved Share Option Plan 2005) provided selected executives with options to purchase ordinary shares in the Company.

The exercise prices of the options granted during 2018, and in prior years, were based on the average market prices for the five trading days immediately preceding the dates of grant of the options. Options normally vest in tranches over a period of three to five years, and are exercisable for up to ten years following the date of grant.

#### Movements during the year:

	2018		2017	
	Weighted average exercise price us\$	Options in millions	Weighted average exercise price us\$	Options in millions
At 1st January	55.7	2.6	51.3	2.7
Granted	63.4	0.4	65.6	0.4
Exercised	49.9	(0.3)	38.1	(0.5)
Cancelled	63.3	(0.1)	–	–
At 31st December	57.2	2.6	55.7	2.6

The average share price during the year was US\$63.6 (2017: US\$63.4) per share.

#### Outstanding at 31st December:

Expiry date	Exercise price us\$	Options in millions	
		2018	2017
2020	32.2	0.1	0.2
2021	46.8	0.1	0.2
2022	51.2	0.3	0.4
2023	64.9	0.3	0.4
2024	59.6	0.1	0.1
2025	52.8 – 63.4	0.2	0.2
2026	53.9 – 56.6	0.7	0.7
2027	65.6	0.4	0.4
2028	63.4	0.4	–
Total outstanding		2.6	2.6
of which exercisable		1.0	1.0

The fair value of options granted during the year, determined using the Trinomial valuation model, was US\$4 million (2017: US\$5 million). The significant inputs into the model, based on the weighted average number of options issued, were share price of US\$62.2 (2017: US\$64.6) at the grant dates, exercise price shown above, expected volatility based on the last seven years of 20.7% (2017: 22.5%), dividend yield of 2.6% (2017: 2.3%), option life disclosed above, and annual risk-free interest rate of 2.7% (2017: 2.2%). Options are assumed to be exercised at the end of the seventh year following the date of grant.

## 24 Share Premium and Capital Reserves

	Share premium US\$m	Capital reserves US\$m	Total US\$m
<b>2018</b>			
At 1st January	32	156	<b>188</b>
Capitalisation arising on scrip issued in lieu of dividends	(3)	–	<b>(3)</b>
Employee share option schemes			
– exercise of share options	4	–	<b>4</b>
– value of employee services	–	32	<b>32</b>
Transfer	3	(6)	<b>(3)</b>
At 31st December	<b>36</b>	<b>182</b>	<b>218</b>
<b>2017</b>			
At 1st January	20	155	175
Capitalisation arising on scrip issued in lieu of dividends	(3)	–	(3)
Employee share option schemes			
– exercise of share options	10	–	10
– value of employee services	–	21	21
Transfer	5	(20)	(15)
At 31st December	32	156	188

Capital reserves represent the value of employee services under the Group's employee share option schemes. At 31st December 2018, US\$26 million (2017: US\$25 million) related to the Company's Senior Executive Share Incentive Schemes.

## 25 Dividends

	2018 US\$m	2017 US\$m
Final dividend in respect of 2017 of US\$120.00 (2016: US\$112.00) per share	<b>872</b>	800
Interim dividend in respect of 2018 of US\$42.00 (2017: US\$40.00) per share	<b>309</b>	289
	<b>1,181</b>	1,089
Company's share of dividends paid on the shares held by subsidiaries	<b>(574)</b>	(518)
	<b>607</b>	571
<b>Shareholders elected to receive scrip in respect of the following:</b>		
Final dividend in respect of previous year	<b>613</b>	553
Interim dividend in respect of current year	<b>22</b>	198
	<b>635</b>	751

A final dividend in respect of 2018 of US\$128.00 (2017: US\$120.00) per share amounting to a total of US\$943 million (2017: US\$872 million) is proposed by the Board. The dividend proposed will not be accounted for until it has been approved at the 2019 Annual General Meeting. The net amount after deducting the Company's share of the dividends payable on the shares held by subsidiaries of US\$462 million (2017: US\$421 million) will be accounted for as an appropriation of revenue reserves in the year ending 31st December 2019.

## 26 Own Shares Held

Own shares held of US\$5,245 million (2017: US\$4,715 million) represent the Company's share of the cost of 427 million (2017: 417 million) ordinary shares in the Company held by subsidiaries and are deducted in arriving at shareholders' funds.

## 27 Non-controlling Interests

	2018 US\$m	2017 US\$m
<b>By business:</b>		
Hongkong Land	22,054	21,430
Dairy Farm	574	686
Mandarin Oriental	428	455
Jardine Cycle & Carriage	482	643
Astra	9,003	8,613
Jardine Strategic	1,170	1,054
Other	122	134
	<b>33,833</b>	<b>33,015</b>
Less own shares held attributable to non-controlling interests	<b>(978)</b>	<b>(906)</b>
	<b>32,855</b>	<b>32,109</b>

### Summarised financial information on subsidiaries with material non-controlling interests

Set out below are the summarised financial information for each subsidiary that has non-controlling interests that are material to the Group.

Summarised balance sheets at 31st December:

	Hongkong Land US\$m	Dairy Farm US\$m	Mandarin Oriental US\$m	Astra US\$m	Jardine Strategic US\$m
<b>2018</b>					
Current					
Assets	4,262	1,617	353	9,541	17,117
Liabilities	(2,250)	(3,611)	(709)	(8,039)	(16,448)
Total current net assets/(liabilities)	2,012	(1,994)	(356)	1,502	669
Non-current					
Assets	40,701	3,773	1,668	14,429	67,926
Liabilities	(4,343)	(286)	(69)	(3,774)	(8,646)
Total non-current net assets	36,358	3,487	1,599	10,655	59,280
Net assets	<b>38,370</b>	<b>1,493</b>	<b>1,243</b>	<b>12,157</b>	<b>59,949</b>
Non-controlling interests	<b>28</b>	<b>44</b>	<b>4</b>	<b>2,593</b>	<b>28,428</b>
<b>2017</b>					
Current					
Assets	4,526	1,671	295	9,185	17,033
Liabilities	(1,811)	(3,012)	(172)	(7,271)	(14,216)
Total current net assets/(liabilities)	2,715	(1,341)	123	1,914	2,817
Non-current					
Assets	38,314	3,796	1,725	12,768	64,041
Liabilities	(4,153)	(699)	(568)	(3,052)	(8,628)
Total non-current net assets	34,161	3,097	1,157	9,716	55,413
Net assets	36,876	1,756	1,280	11,630	58,230
Non-controlling interests	34	66	6	2,416	27,677



## 27 Non-controlling Interests (continued)

Summarised profit and loss for the year ended 31st December:

	Hongkong Land US\$m	Dairy Farm US\$m	Mandarin Oriental US\$m	Astra US\$m	Jardine Strategic US\$m
<b>2018</b>					
Revenue	<b>2,665</b>	<b>11,749</b>	<b>614</b>	<b>17,054</b>	<b>34,094</b>
Profit after tax from underlying business performance	1,034	428	65	1,899	3,789
Profit after tax from non-trading items	1,423	(349)	(22)	8	557
Profit after tax	2,457	79	43	1,907	4,346
Other comprehensive income/(expense)	(361)	(57)	(43)	47	(1,297)
Total comprehensive income	<b>2,096</b>	<b>22</b>	<b>-</b>	<b>1,954</b>	<b>3,049</b>
Total comprehensive income/(expense) allocated to non-controlling interests	<b>(4)</b>	<b>(18)</b>	<b>-</b>	<b>412</b>	<b>1,830</b>
Dividends paid to non-controlling interests	<b>(3)</b>	<b>-</b>	<b>-</b>	<b>(176)</b>	<b>(844)</b>
<b>2017</b>					
Revenue	1,616	11,289	611	15,365	30,848
Profit after tax from underlying business performance	948	392	54	1,609	3,292
Profit after tax from non-trading items	4,677	-	-	13	5,124
Profit after tax	5,625	392	54	1,622	8,416
Other comprehensive income/(expense)	297	129	103	(41)	525
Total comprehensive income	5,922	521	157	1,581	8,941
Total comprehensive income/(expense) allocated to non-controlling interests	17	(12)	-	296	4,240
Dividends paid to non-controlling interests	(2)	(1)	-	(134)	(766)

**27 Non-controlling Interests** (continued)

Summarised cash flows at 31st December:

	Hongkong Land US\$m	Dairy Farm US\$m	Mandarin Oriental US\$m	Astra US\$m	Jardine Strategic US\$m
<b>2018</b>					
Cash flows from operating activities					
Operating profit	2,332	81	70	2,090	4,081
Non-cash items	(1,238)	616	82	992	959
Interest received	45	4	2	91	156
Interest and other financing charges paid	(172)	(34)	(14)	(208)	(466)
Tax paid	(172)	(96)	(19)	(523)	(843)
Other operating cash flows	(191)	72	25	5	115
Cash flows from operating activities	604	643	146	2,447	4,002
Cash flows from investing activities	(1,056)	(501)	(69)	(2,534)	(4,588)
Cash flows from financing activities	237	(186)	(10)	(399)	13
Net increase/(decrease) in cash and cash equivalents	(215)	(44)	67	(486)	(573)
Cash and cash equivalents at 1st January	1,617	335	184	2,331	5,298
Effect of exchange rate changes	(33)	(6)	(4)	(123)	(170)
Cash and cash equivalents at 31st December	<b>1,369</b>	<b>285</b>	<b>247</b>	<b>1,722</b>	<b>4,555</b>
<b>2017</b>					
Cash flows from operating activities					
Operating profit	5,608	369	69	1,666	7,958
Non-cash items	(4,729)	236	59	917	(3,769)
Interest received	42	2	1	111	167
Interest and other financing charges paid	(118)	(28)	(12)	(148)	(310)
Tax paid	(137)	(84)	(13)	(410)	(694)
Other operating cash flows	134	176	16	(6)	398
Cash flows from operating activities	800	671	120	2,130	3,750
Cash flows from investing activities	(947)	(281)	(102)	(1,579)	(4,142)
Cash flows from financing activities	(193)	(387)	(22)	(393)	521
Net increase/(decrease) in cash and cash equivalents	(340)	3	(4)	158	129
Cash and cash equivalents at 1st January	1,898	323	183	2,185	5,091
Effect of exchange rate changes	59	9	5	(12)	78
Cash and cash equivalents at 31st December	1,617	335	184	2,331	5,298

Hongkong Land, Dairy Farm, Mandarin Oriental and Astra are subsidiaries of Jardine Strategic.

The information above is the amount before inter-company eliminations.

## 28 Borrowings

	2018		2017	
	Carrying amount US\$m	Fair value US\$m	Carrying amount US\$m	Fair value US\$m
Current				
– bank overdrafts	35	35	7	7
– other bank advances	3,796	3,796	3,047	3,047
– other advances	22	22	5	5
	<b>3,853</b>	<b>3,853</b>	3,059	3,059
Current portion of long-term borrowings				
– bank loans	2,470	2,470	1,244	1,244
– bonds and notes	809	809	1,030	1,030
– finance lease liabilities	14	14	3	3
– other loans	12	12	13	13
	<b>3,305</b>	<b>3,305</b>	2,290	2,290
	<b>7,158</b>	<b>7,158</b>	5,349	5,349
Long-term borrowings				
– bank loans	3,052	3,053	3,650	3,636
– bonds and notes	3,990	4,172	3,797	3,945
– finance lease liabilities	24	24	1	1
– other loans	7	7	14	14
	<b>7,073</b>	<b>7,256</b>	7,462	7,596
	<b>14,231</b>	<b>14,414</b>	12,811	12,945

The fair values are based on market prices or are estimated using the expected future payments discounted at market interest rates ranging from 0.1% to 12.3% (2017: 0.1% to 12.0%) 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 amount, as the impact of discounting is not significant.

	2018 US\$m	2017 US\$m
Secured	4,011	4,052
Unsecured	10,220	8,759
	<b>14,231</b>	12,811

Secured borrowings at 31st December 2018 included Hongkong Land’s bank borrowings of US\$822 million (2017: US\$393 million) which were secured against its investment properties, Mandarin Oriental’s bank borrowings of US\$523 million (2017: US\$508 million) which were secured against its tangible assets, and Astra’s bonds and notes of US\$974 million (2017: US\$1,648 million) and bank borrowings of US\$1,692 million (2017: US\$1,503 million) which were secured against its various assets.

**28 Borrowings** (continued)

<i>By currency:</i>	Weighted average interest rates %	Fixed rate borrowings		Floating rate borrowings US\$m	Total US\$m
		Weighted average period outstanding Years	US\$m		
<b>2018</b>					
Chinese renminbi	4.9	–	–	488	<b>488</b>
Hong Kong dollar	3.9	6.8	2,295	1,835	<b>4,130</b>
Indonesian rupiah	7.9	2.1	4,362	1,367	<b>5,729</b>
Malaysian ringgit	4.4	–	–	241	<b>241</b>
Singapore dollar	2.8	7.3	360	745	<b>1,105</b>
Thai baht	2.3	–	–	262	<b>262</b>
United Kingdom sterling	1.6	–	–	211	<b>211</b>
United States dollar	2.7	0.2	203	1,805	<b>2,008</b>
Other	4.6	11.9	2	55	<b>57</b>
			<b>7,222</b>	<b>7,009</b>	<b>14,231</b>
<b>2017</b>					
Chinese renminbi	4.9	–	–	393	393
Hong Kong dollar	3.3	7.3	2,106	1,904	4,010
Indonesian rupiah	8.0	1.6	4,163	1,103	5,266
Malaysian ringgit	4.2	–	–	220	220
Singapore dollar	2.3	2.2	189	735	924
United Kingdom sterling	1.3	–	–	210	210
United States dollar	2.0	1.2	210	1,552	1,762
Other	3.0	12.7	2	24	26
			6,670	6,141	12,811

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

## 28 Borrowings (continued)

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

	<b>2018</b>	2017
	US\$m	US\$m
Floating rate borrowings	<b>7,009</b>	6,141
Fixed rate borrowings		
– within one year	<b>2,221</b>	2,061
– between one and two years	<b>389</b>	1,478
– between two and three years	<b>230</b>	875
– between three and four years	<b>636</b>	70
– between four and five years	<b>1,091</b>	615
– beyond five years	<b>2,655</b>	1,571
	<b>7,222</b>	6,670
	<b>14,231</b>	12,811

The finance lease liabilities are as follows:

	Minimum lease payments		Present value of finance lease liabilities	
	<b>2018</b>	2017	<b>2018</b>	2017
	US\$m	US\$m	US\$m	US\$m
Within one year	<b>17</b>	3	<b>14</b>	3
Between one and five years	<b>27</b>	1	<b>24</b>	1
	<b>44</b>	4	<b>38</b>	4
Future finance charges on finance leases	<b>(6)</b>	–		
Present value of finance lease liabilities	<b>38</b>	4		
Current			<b>14</b>	3
Non-current			<b>24</b>	1
			<b>38</b>	4

**28 Borrowings** (continued)

Details of the bonds and notes outstanding at 31st December 2018 are as follows:

	Maturity	Interest rates %	Nominal values	2018		2017	
				Current US\$m	Non- current US\$m	Current US\$m	Non- current US\$m
<b>Hongkong Land</b>							
4.135% 10-year notes	2019	4.135	HK\$200 million	<b>26</b>	–	–	26
4.1875% 10-year notes	2019	4.1875	HK\$300 million	<b>38</b>	–	–	38
4.25% 10-year notes	2019	4.25	HK\$300 million	<b>38</b>	–	–	38
4.22% 10-year notes	2020	4.22	HK\$500 million	–	<b>65</b>	–	66
4.24% 10-year notes	2020	4.24	HK\$500 million	–	<b>64</b>	–	64
3.43% 10-year notes	2020	3.43	S\$150 million	–	<b>110</b>	–	112
3.95% 10-year notes	2020	3.95	HK\$500 million	–	<b>64</b>	–	64
4.28% 12-year notes	2021	4.28	HK\$500 million	–	<b>65</b>	–	66
3.86% 10-year notes	2022	3.86	HK\$410 million	–	<b>52</b>	–	52
4.50% 10-year notes	2022	4.50	US\$500 million	–	<b>488</b>	–	489
3.00% 10-year notes	2022	3.00	HK\$305 million	–	<b>39</b>	–	39
2.90% 10-year notes	2022	2.90	HK\$200 million	–	<b>26</b>	–	26
3.95% 10-year notes	2023	3.95	HK\$1,100 million	–	<b>140</b>	–	140
3.95% 10-year notes	2023	3.95	HK\$300 million	–	<b>38</b>	–	38
4.625% 10-year notes	2024	4.625	US\$400 million	–	<b>400</b>	–	403
4.10% 15-year notes	2025	4.10	HK\$300 million	–	<b>38</b>	–	38
4.50% 15-year notes	2025	4.50	US\$600 million	–	<b>610</b>	–	612
3.75% 15-year notes	2026	3.75	HK\$302 million	–	<b>38</b>	–	38
4.00% 15-year notes	2027	4.00	HK\$785 million	–	<b>99</b>	–	99
4.04% 15-year notes	2027	4.04	HK\$473 million	–	<b>60</b>	–	60
3.95% 15-year notes	2027	3.95	HK\$200 million	–	<b>26</b>	–	26
3.15% 15-year notes	2028	3.15	HK\$300 million	–	<b>38</b>	–	38
4.22% 15-year notes	2028	4.22	HK\$325 million	–	<b>41</b>	–	41
3.83% 10-year notes	2028	3.83	HK\$450 million	–	<b>57</b>	–	–
3.75% 10-year notes	2028	3.75	HK\$355 million	–	<b>45</b>	–	–
4.40% 15-year notes	2029	4.40	HK\$400 million	–	<b>51</b>	–	51
4.11% 20-year notes	2030	4.11	HK\$800 million	–	<b>102</b>	–	102
4.125% 20-year notes	2031	4.125	HK\$200 million	–	<b>25</b>	–	25
4.00% 20-year notes	2032	4.00	HK\$240 million	–	<b>30</b>	–	30
4.12% 15-year notes	2033	4.12	HK\$700 million	–	<b>88</b>	–	–
3.95% 20-year notes	2038	3.95	S\$150 million	–	<b>108</b>	–	–
5.25% 30-year notes	2040	5.25	HK\$250 million	–	<b>32</b>	–	32
<b>Astra Sedaya Finance ('ASF')</b>							
Berkelanjutan II Tahap III bonds	2018	10.6	Rp75 billion	–	–	5	–
Berkelanjutan II Tahap V bonds	2018	9.25	Rp825 billion	–	–	61	–
Berkelanjutan III Tahap I bonds	2019	8.5	Rp1,230 billion	<b>85</b>	–	–	91
Berkelanjutan III Tahap II bonds	2019	7.95	Rp850 billion	<b>53</b>	–	–	58
Berkelanjutan III Tahap III bonds	2022	8.5 – 8.75	Rp1,500 billion	–	<b>103</b>	74	111
Berkelanjutan III Tahap IV bonds	2022	7.5 – 7.65	Rp825 billion	–	<b>57</b>	72	61
Berkelanjutan IV Tahap I bonds	2021	6.1 – 7.5	Rp1,120 billion	<b>39</b>	<b>38</b>	–	–
Sukuk Mudharabah							
Berkelanjutan I Tahap I bonds	2021	6.1 – 7.5	Rp500 billion	<b>22</b>	<b>12</b>	–	–
Euro Medium Term Notes	2018	2.88	US\$300 million	–	–	300	–
Euro Medium Term Notes	2021	7.2	Rp695 billion	–	<b>48</b>	–	–

## 28 Borrowings (continued)

Details of the bonds and notes outstanding at 31st December 2018 are as follows (continued):

	Maturity	Interest rates %	Nominal values	2018		2017	
				Current US\$m	Non- current US\$m	Current US\$m	Non- current US\$m
<b>Federal International Finance ('FIF')</b>							
Berkelanjutan II Tahap I bonds	2018	9.25	Rp2,061 billion	–	–	150	–
Berkelanjutan II Tahap II bonds	2018	9.25	Rp587 billion	–	–	43	–
Berkelanjutan II Tahap III bonds	2019	9.15	Rp2,507 billion	173	–	–	181
Berkelanjutan II Tahap IV bonds	2019	7.95	Rp1,257 billion	80	–	–	85
Berkelanjutan III Tahap I bonds	2020	8.45	Rp2,076 billion	–	142	105	151
Berkelanjutan III Tahap II bonds	2020	7.5	Rp971 billion	–	65	124	71
Berkelanjutan III Tahap III bonds	2021	6.1 – 7.45	Rp3,000 billion	110	82	–	–
Berkelanjutan III Tahap IV bonds	2021	7.5 – 8.75	Rp1,300 billion	44	45	–	–
Medium Term Notes	2021	8.15 – 8.2	Rp4,344 billion	–	297	–	–
<b>SAN Finance</b>							
Berkelanjutan I Tahap III bonds	2018	9.4	Rp500 billion	–	–	37	–
Berkelanjutan II Tahap I bonds	2019	9.0	Rp1,090 billion	72	–	–	74
Berkelanjutan II Tahap II bonds	2022	9.0 – 9.25	Rp471 billion	–	33	59	35
<b>Astra Otoparts ('AOP') Medium Term Note</b>							
AOP Medium Term Note Seri B	2019	9.0	Rp350 billion	24	–	–	26
<b>Serasi Autoraya ('SERA')</b>							
Berkelanjutan I Tahap I bonds	2023	6.1 – 8.35	Rp500 billion	5	29	–	–
				<b>809</b>	<b>3,990</b>	1,030	3,797

The ASF bonds were issued by a partly-owned subsidiary of Astra and are collateralised by fiduciary guarantee over financing debtors of the subsidiary amounting to 60% of the total outstanding principal of the bonds. The ASF Euro Medium Term Notes were unsecured.

The FIF bonds were issued by a wholly-owned subsidiary of Astra, of which US\$460 million are collateralised by fiduciary guarantee over financing debtors of the subsidiary amounting to 60% of the total outstanding principal of the bonds.

The SAN Finance bonds were issued by a partly-owned subsidiary of Astra and are collateralised by fiduciary guarantee over financing debtors of the subsidiary amounting to 60% of the total outstanding principal of the bonds.

The AOP Medium Term Note was unsecured and issued by a wholly-owned subsidiary of Astra.

The SERA bonds was unsecured and issued by a wholly-owned subsidiary of Astra.

**28 Borrowings** (continued)

The movements in borrowings are as follows:

	Bank overdrafts US\$m	Long-term borrowings US\$m	Short-term borrowings US\$m	Finance lease liabilities US\$m	Total US\$m
<b>2018</b>					
At 1st January	7	7,461	5,339	4	<b>12,811</b>
Exchange differences	(2)	(117)	(233)	–	<b>(352)</b>
New subsidiaries	–	104	68	–	<b>172</b>
Additions	–	–	–	41	<b>41</b>
Disposals	–	–	(26)	–	<b>(26)</b>
Amortisation of borrowing costs	–	4	10	–	<b>14</b>
Transfer	–	(3,328)	3,328	–	<b>–</b>
Change in fair value	–	(9)	–	–	<b>(9)</b>
Change in bank overdrafts	30	–	–	–	<b>30</b>
Drawdown of borrowings	–	5,166	2,757	–	<b>7,923</b>
Repayment of borrowings	–	(2,232)	(4,134)	(7)	<b>(6,373)</b>
At 31st December	<b>35</b>	<b>7,049</b>	<b>7,109</b>	<b>38</b>	<b>14,231</b>
<b>2017</b>					
At 1st January	12	6,857	4,260	55	11,184
Exchange differences	–	37	(33)	–	4
New subsidiaries	–	35	90	–	125
Amortisation of borrowing costs	–	4	15	–	19
Transfer	–	(2,657)	2,657	–	–
Change in fair value	–	(5)	–	–	(5)
Change in bank overdrafts	(5)	–	–	–	(5)
Drawdown of borrowings	–	4,554	3,047	–	7,601
Repayment of borrowings	–	(1,364)	(4,697)	(51)	(6,112)
At 31st December	7	7,461	5,339	4	12,811



## 29 Creditors

	2018	2017
	US\$m	US\$m
Trade creditors		
– third parties	5,412	4,703
– associates	85	80
– joint ventures	209	197
	<b>5,706</b>	4,980
Accruals	<b>1,965</b>	1,959
Other amounts due to joint ventures	<b>142</b>	154
Rental and other refundable deposits	<b>411</b>	422
Deferred consideration payable	<b>56</b>	230
Contingent consideration payable	<b>10</b>	10
Derivative financial instruments	<b>52</b>	43
Other creditors	<b>616</b>	473
Financial liabilities	<b>8,958</b>	8,271
Contract liabilities ( <i>refer note 3</i> )	<b>1,074</b>	1,500
Gross estimated losses on insurance contracts	<b>178</b>	161
Rental income received in advance	<b>36</b>	33
Unearned premiums on insurance contracts	<b>326</b>	355
Other	<b>83</b>	100
	<b>10,655</b>	10,420
Non-current	<b>343</b>	326
Current	<b>10,312</b>	10,094
	<b>10,655</b>	10,420
<b><i>Analysis by geographical area of operation:</i></b>		
Greater China	<b>3,958</b>	3,884
Southeast Asia	<b>6,191</b>	5,973
United Kingdom	<b>272</b>	367
Rest of the world	<b>234</b>	196
	<b>10,655</b>	10,420

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

## 30 Provisions

	Motor vehicle warranties US\$m	Closure cost provisions US\$m	Obligations under onerous leases US\$m	Reinstatement and restoration costs US\$m	Statutory employee entitlements US\$m	Others US\$m	Total US\$m
<b>2018</b>							
At 1st January	58	50	14	64	121	22	<b>329</b>
Exchange differences	(1)	(3)	(3)	(1)	(8)	(1)	<b>(17)</b>
New subsidiaries	–	–	–	25	–	–	<b>25</b>
Additional provisions	10	73	90	17	13	7	<b>210</b>
Unused amounts reversed	–	(7)	–	(2)	–	(1)	<b>(10)</b>
Utilised	(4)	(20)	–	(2)	(2)	(1)	<b>(29)</b>
At 31st December	<b>63</b>	<b>93</b>	<b>101</b>	<b>101</b>	<b>124</b>	<b>26</b>	<b>508</b>
Non-current	–	7	94	84	100	14	<b>299</b>
Current	63	86	7	17	24	12	<b>209</b>
	<b>63</b>	<b>93</b>	<b>101</b>	<b>101</b>	<b>124</b>	<b>26</b>	<b>508</b>
<b>2017</b>							
At 1st January	46	8	17	52	108	32	263
Exchange differences	4	1	2	2	(1)	–	8
Additional provisions	13	48	6	13	16	12	108
Unused amounts reversed	–	(3)	(10)	(1)	–	(12)	(26)
Utilised	(5)	(4)	(1)	(2)	(2)	(10)	(24)
At 31st December	58	50	14	64	121	22	329
Non-current	–	1	14	54	100	6	175
Current	58	49	–	10	21	16	154
	58	50	14	64	121	22	329

Motor vehicle warranties are estimated liabilities that fall due under the warranty terms offered on sale of new and used vehicles beyond that which is reimbursed by the manufacturers.

Closure cost provisions are established when legal or constructive obligations arise on closure or disposal of businesses.

Provisions are made for obligations under onerous operating leases when the properties are not used by the Group and the net costs of exiting from the leases exceed the economic benefits expected to be received.

Other provisions principally comprise provisions in respect of indemnities on disposal of businesses and legal claims.

## 31 Notes to Consolidated Cash Flow Statement

### (a) Depreciation and amortisation

	2018	2017
	US\$m	US\$m
<b>By business:</b>		
Jardine Pacific	38	33
Jardine Motors	37	31
Hongkong Land	4	3
Dairy Farm	230	221
Mandarin Oriental	87	59
Jardine Cycle & Carriage	12	10
Astra	703	624
	<b>1,111</b>	<b>981</b>

### (b) Other non-cash items

	2018	2017
	US\$m	US\$m
<b>By nature:</b>		
Profit on sale of subsidiaries	(152)	(4)
Loss on sale of associates and joint ventures	46	4
(Profit)/loss on sale of other investments	(3)	1
Profit on sale of intangible assets	(9)	(1)
Profit on sale of tangible assets	(29)	(183)
Loss on sale of investment properties	–	10
Loss on sale of repossessed collateral of finance companies	54	58
Fair value loss on agricultural produce	10	4
Fair value loss/(gain) on other investments	476	(366)
Impairment of intangible assets	127	12
Impairment of tangible assets	205	8
Impairment of debtors	227	205
Write down of stocks and work in progress	80	51
Reversal of write down of stocks and work in progress	(33)	(34)
Change in provisions	193	35
Net foreign exchange losses	18	25
Amortisation of borrowing costs for financial services companies	10	14
Options granted under employee share option schemes	5	5
Recognition of previous deferred fair value gain on land	(34)	–
	<b>1,191</b>	<b>(156)</b>
<b>By business:</b>		
Jardine Pacific	11	7
Jardine Motors	15	(181)
Hongkong Land	(20)	(54)
Dairy Farm	387	15
Mandarin Oriental	(7)	–
Jardine Cycle & Carriage	493	(129)
Astra	303	317
Corporate and other interests	9	(131)
	<b>1,191</b>	<b>(156)</b>

**31 Notes to Consolidated Cash Flow Statement** (continued)

## (c) Increase in working capital

	<b>2018</b>	2017
	US\$m	US\$m
Increase in concession rights	<b>(20)</b>	(78)
Decrease/(increase) in properties for sale	<b>169</b>	(693)
Increase in stocks and work in progress	<b>(466)</b>	(245)
Increase in debtors	<b>(1,543)</b>	(837)
Increase in creditors	<b>849</b>	1,449
Increase in pension obligations	<b>34</b>	28
	<b>(977)</b>	(376)

## (d) Purchase of subsidiaries

	<b>2018</b>	2017
	Fair value	Fair value
	US\$m	US\$m
Intangible assets	<b>434</b>	38
Tangible assets	<b>838</b>	199
Associates and joint ventures	–	283
Non-current debtors	<b>25</b>	95
Deferred tax assets	<b>1</b>	–
Current assets	<b>145</b>	320
Long-term borrowings	<b>(104)</b>	(35)
Deferred tax liabilities	<b>(209)</b>	(36)
Pension liabilities	<b>(4)</b>	–
Non-current creditors	–	(3)
Non-current provision	<b>(25)</b>	–
Current liabilities	<b>(171)</b>	(140)
Fair value of identifiable net assets acquired	<b>930</b>	721
Goodwill	<b>271</b>	11
Adjustment for non-controlling interests	<b>(57)</b>	(107)
Total consideration	<b>1,144</b>	625
Adjustment for deposit paid	–	(12)
Net debt repaid at date of acquisition	<b>148</b>	–
Payment for deferred consideration	<b>82</b>	–
Adjustment for deferred consideration	<b>(25)</b>	(87)
Carrying value of associates and joint ventures	<b>(44)</b>	(301)
Cash and cash equivalents of subsidiaries acquired	<b>(18)</b>	(151)
Net cash outflow	<b>1,287</b>	74

For the subsidiaries acquired during 2018, the fair values of the identifiable assets and liabilities at the acquisition dates are provisional and will be finalised within one year after the acquisition dates.

The fair values of the identifiable assets and liabilities at the acquisition dates of certain subsidiaries acquired during 2017 as included in the comparative figures were provisional. The fair values were finalised in 2018. As the difference between the provisional and the finalised fair values were not material, the comparative figures have not been adjusted.

Net cash outflow for purchase of subsidiaries in 2018 included US\$55 million for Dairy Farm's acquisition of an additional 51% interest in Rose Pharmacy, a health and beauty stores chain in the Philippines, increasing its controlling interest to 100%; and US\$1,150 million (including repayment of net debt of US\$148 million) for Astra's acquisition of a 95% interest in PT Agincourt Resources, a gold mining company. In addition, there were cash outflows of US\$69 million and US\$13 million for Astra's payment of deferred consideration for investments in toll road concessions and acquisition of an 80% interest in PT Suprabari Mapanindo Mineral ('Suprabari'), a coal mining company, respectively, in 2017.

### 31 Notes to Consolidated Cash Flow Statement (continued)

#### (d) Purchase of subsidiaries (continued)

Goodwill in 2018 mainly arose from the acquisitions of Rose Pharmacy of US\$97 million, attributable to the leading market position and retail network in the Philippines; and PT Agincourt Resources of US\$171 million, attributable to the requirement to recognise deferred tax on the difference between the fair value and the tax value of the assets at the date of acquisition. None of the goodwill is expected to be deductible for tax purposes.

Net cash outflow in 2017 comprised US\$18 million for Jardine Motors' acquisition of various motor dealership businesses in the United Kingdom throughout the year; US\$42 million for Hongkong Land's acquisition of an additional 50% interest in MCL Land (Malaysia) Sdn Bhd, a property development company, increasing its controlling interest to 100%; and an additional consideration of US\$14 million for Astra's acquisition of the above mentioned 80% interest in Suprabari.

Goodwill in 2017 arose from the acquisitions of motor dealership businesses which were attributable to the expected synergies with its existing retail network. None of the goodwill is expected to be deductible for tax purposes.

Revenue and profit after tax since acquisition in respect of subsidiaries acquired during the year amounted to US\$331 million and US\$68 million, respectively. Had the acquisitions occurred on 1st January 2018, consolidated revenue and profit after tax for the year ended 31st December 2018 would have been US\$43,295 million and US\$4,665 million, respectively.

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(e) Purchase of associates and joint ventures in 2018 mainly included US\$834 million for Hongkong Land's investments in mainland China, Thailand and Vietnam; US\$220 million related to Dairy Farm's acquisition of a 20% interest in Robinsons Retail (refer note 14); and US\$99 million for Astra's investments in toll road concessions.

Purchases in 2017 included Hongkong Land's investments in mainland China, Thailand and Vietnam for a total of US\$438 million; Jardine Cycle & Carriage's subscription to rights issue and purchase of additional shares in Siam City Cement Public Company Limited in Thailand of US\$138 million, increasing its interest from 24.9% to 25.5%; Astra's investments in toll road concessions of US\$274 million and a 25% interest in power plants of US\$207 million in Indonesia, and subscription to Permata Bank's rights issue of US\$44 million; and Jardine Strategic's acquisition of a 28% interest in Greatview Aseptic Packaging Company Limited, an aseptic carton packaging supplier, of US\$241 million and additional investment in Zhongsheng of US\$172 million, increasing its interest from 15.5% to 20.0%.

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(f) Purchase of other investments in 2018 included US\$200 million and US\$62 million for Jardine Cycle & Carriage's investments in shares in Toyota Motor Corporation and additional shares in Vietnam Dairy Products increasing its interest to 10.6%, respectively; and US\$150 million and US\$280 million for Astra's investments in GOJEK and other securities, respectively.

Purchases in 2017 comprised US\$1,160 million for acquisition of a 10% interest in Vietnam Dairy Products by Jardine Cycle & Carriage and US\$449 million for acquisition of securities by Astra.

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(g) Advance to associates and joint ventures in 2018 and 2017 mainly included Hongkong Land's advance to its property joint ventures.

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(h) Advance and repayment from associates and joint ventures in 2018 and 2017 mainly included advance and repayment from Hongkong Land's property joint ventures.

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(i) Sale of subsidiaries in 2017 included US\$83 million for disposal of a mutual fund company by Astra.

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**31 Notes to Consolidated Cash Flow Statement** (continued)

(j) Sale of other investments in 2018 mainly included Astra's sale of securities.

Sale in 2017 mainly included disposal of securities by Astra and Jardine Strategic of US\$261 million and US\$95 million, respectively.

(k) Change in interests in subsidiaries

	<b>2018</b>	2017
	US\$m	US\$m
Increase in attributable interests		
– Jardine Strategic	<b>(203)</b>	(107)
– Hongkong Land	<b>(131)</b>	–
– Mandarin Oriental	<b>(33)</b>	–
– other	<b>(200)</b>	(87)
Decrease in attributable interests	<b>4</b>	15
	<b>(563)</b>	(179)

Increase in attributable interests in other subsidiaries in 2018 included US\$196 million for Astra's acquisition of the remaining 25% interest in Astra Sedaya Finance, a consumer financing company, from Permata Bank, increasing its controlling interest to 100%.

Increase in 2017 included Jardine Motors' acquisition of an additional 40% interest in a motor dealership in mainland China of US\$24 million and Dairy Farm's acquisition of a further 34% interest in Rustan Supercenters Inc. in the Philippines of US\$60 million, increasing the Group's controlling interests in both subsidiaries to 100%.

(l) Analysis of balances of cash and cash equivalents

	<b>2018</b>	2017
	US\$m	US\$m
Bank balances and other liquid funds (refer note 21)	<b>4,988</b>	6,005
Bank overdrafts (refer note 28)	<b>(35)</b>	(7)
Cash and bank balances included in assets classified as held for sale	–	3
	<b>4,953</b>	6,001

## 32 Derivative Financial Instruments

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

	2018		2017	
	Positive fair value US\$m	Negative fair value US\$m	Positive fair value US\$m	Negative fair value US\$m
Designated as cash flow hedges				
– forward foreign exchange contracts	6	–	1	2
– interest rate swaps and caps	3	2	3	–
– cross currency swaps	174	40	33	32
	<b>183</b>	<b>42</b>	37	34
Designated as fair value hedges				
– interest rate swaps and caps	2	–	3	–
– cross currency swaps	4	10	7	9
	<b>6</b>	<b>10</b>	10	9

### **Forward foreign exchange contracts**

The contract amounts of the outstanding forward foreign exchange contracts at 31st December 2018 were US\$2,844 million (2017: US\$597 million). Included in the outstanding amount are contracts totalling US\$2.1 billion relating to the offer for sale of Jardine Lloyd Thompson (refer note 14).

### **Interest rate swaps and caps**

The notional principal amounts of the outstanding interest rate swap and cap contracts at 31st December 2018 were US\$600 million (2017: US\$610 million).

At 31st December 2018, the fixed interest rates relating to interest rate swaps and caps vary from 0.9% to 3.1% (2017: 0.9% to 3.1%) per annum.

The fair values of interest rate swaps are based on the estimated cash flows discounted at market rates ranging from 1.9% to 3.1% (2017: 1.3% to 2.2%) per annum.

### **Cross currency swaps**

The contract amounts of the outstanding cross currency swap contracts at 31st December 2018 totalled US\$3,960 million (2017: US\$3,563 million).

### 33 Commitments

	2018 US\$m	2017 US\$m
<b>Capital commitments:</b>		
Authorised not contracted		
– joint ventures	–	–
– other	1,415	804
	<b>1,415</b>	804
Contracted not provided		
– joint ventures	1,359	1,349
– other	396	302
	<b>1,755</b>	1,651
	<b>3,170</b>	2,455

The increase in authorised not contracted capital commitments in 2018 was primarily attributable to Mandarin Oriental's planned redevelopment of The Excelsior, Hong Kong as a commercial property following the hotel closure on 31st March 2019. The redevelopment is expected to take up to six years to complete.

	2018 US\$m	2017 US\$m
<b>Operating lease commitments:</b>		
Total commitments under operating leases		
– due within one year	963	983
– due between one and two years	688	687
– due between two and three years	421	438
– due between three and four years	264	280
– due between four and five years	195	214
– due beyond five years	1,195	1,108
	<b>3,726</b>	3,710

Total future sublease payments receivable relating to the above operating leases amounted to US\$25 million (2017: US\$36 million).

In addition, the Group has operating lease commitments with rentals determined in relation to sales. It is not possible to quantify accurately future rentals payable under such leases.

### 34 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.



### 35 Related Party Transactions

In the normal course of business the Group undertakes a variety of transactions with certain of its associates and joint ventures.

The most significant of such transactions relate to the purchases of motor vehicles and spare parts from its associates and joint ventures in Indonesia including PT Toyota-Astra Motor, PT Astra Honda Motor and PT Astra Daihatsu Motor. Total cost of motor vehicles and spare parts purchased in 2018 amounted to US\$5,449 million (2017: US\$5,272 million). The Group also sells motor vehicles and spare parts to its associates and joint ventures in Indonesia including PT Astra Honda Motor, PT Astra Daihatsu Motor and PT Tunas Ridean. Total revenue from sale of motor vehicles and spare parts in 2018 amounted to US\$637 million (2017: US\$599 million).

The Group uses Jardine Lloyd Thompson to place certain of its insurance. Brokerage fees and commissions, net of rebates, paid by the Group in 2018 to Jardine Lloyd Thompson were US\$7 million (2017: US\$6 million).

The Group manages six (2017: six) associate and joint venture hotels. Management fees received by the Group in 2018 from these managed hotels amounted to US\$15 million (2017: US\$14 million).

Permata Bank provides banking services to the Group. The Group's deposits with Permata Bank at 31st December 2018 amounted to US\$345 million (2017: US\$588 million).

Amounts of outstanding balances with associates and joint ventures are included in debtors and creditors, as appropriate (refer notes 16 and 29).

Details of Directors' remuneration (being the key management personnel compensation) are shown on page 133 under the heading of Directors' Appointment, Retirement, Remuneration and Service Contracts.

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### 36 Summarised Balance Sheet of the Company

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

	2018 US\$m	2017 US\$m
Subsidiaries	1,659	1,659
Net current assets	556	–
Total assets	2,215	1,659
Share capital (refer note 22)	184	181
Share premium and capital reserves (refer note 24)	62	57
Revenue and other reserves	1,969	1,188
Shareholders' funds	2,215	1,426
Net current liabilities	–	233
Total equity and liabilities	2,215	1,659

Subsidiaries are shown at cost less amounts provided.

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### 37 Principal Subsidiaries

The Group's principal subsidiaries at 31st December 2018 are set out below:

	Country of incorporation/ principal place of business	Nature of business	Attributable interests		Proportion of ordinary shares and voting powers at 31st December 2018 held by	
			2018 %	2017 %	the Group %	non-controlling interests %
Dairy Farm International Holdings Ltd	Bermuda/ Greater China and Southeast Asia	Supermarkets, hypermarkets, convenience stores, health and beauty stores, home furnishings and restaurants	<b>65</b>	65	<b>78</b>	<b>22</b>
Hongkong Land Holdings Ltd	Bermuda/ Greater China and Southeast Asia	Property development & investment, leasing & management	<b>43</b>	42	<b>50</b>	<b>50</b>
Jardine Cycle & Carriage Ltd	Singapore/ Southeast Asia	A 50.1% interest in PT Astra International Tbk, motor trading and holding	<b>63</b>	63	<b>75</b>	<b>25</b>
Jardine Matheson Ltd	Bermuda/ Hong Kong	Group management	<b>100</b>	100	<b>100</b>	–
Jardine Motors Group Holdings Ltd	Bermuda/ Greater China and United Kingdom	Motor trading	<b>100</b>	100	<b>100*</b>	–
Jardine Pacific Holdings Ltd	Bermuda/ Greater China and Southeast Asia	Engineering & construction, transport services, restaurants and IT services	<b>100</b>	100	<b>100</b>	–
Jardine Strategic Holdings Ltd <sup>†</sup>	Bermuda/ Greater China and Southeast Asia	Holding	<b>84</b>	84	<b>84</b>	<b>16</b>
Mandarin Oriental International Ltd	Bermuda/ Worldwide	Hotel management & ownership	<b>66</b>	65	<b>78</b>	<b>22</b>
Matheson & Co., Ltd	England/ United Kingdom	Holding and management	<b>100</b>	100	<b>100</b>	–
PT Astra International Tbk	Indonesia/ Indonesia	Automotive, financial services, heavy equipment, mining, construction and energy, agribusiness, infrastructure and logistics, information technology and property	<b>32</b>	32	<b>50</b>	<b>50</b>

All subsidiaries are included in the consolidation.

Attributable interests represent the proportional holdings of the Company, held directly or through its subsidiaries, in the issued share capitals of the respective companies, after the deduction of any shares held by the trustees of the employee share option schemes of any such company and any shares in any such company owned by its wholly-owned subsidiaries.

\*Jardine Motors is directly held by the Company. All other subsidiaries are held through subsidiaries.

†Jardine Strategic held 58% (2017: 57%) of the share capital of the Company.

## 38 Principal Accounting Policies

### ***Basis of consolidation***

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

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

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

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

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

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

### **Impairment of non-financial assets**

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

### **Intangible assets**

(i) 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.

(ii) Franchise rights, which are rights under franchise agreements, are separately identified intangible assets acquired as part of a business combination. These franchise agreements are deemed to have indefinite lives because either they do not have any term of expiry or their renewal by the Group would be probable and would not involve significant costs, taking into account the history of renewal and the relationships between the franchisee and the contracting parties. The useful lives are reviewed at each balance sheet date. Franchise rights are carried at cost less accumulated impairment loss.

(iii) 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.

(iv) Concession rights are operating rights for toll roads under service concession arrangements. The cost of the construction services is amortised based on traffic volume projections.

(v) Deferred exploration costs relating to mining resources are capitalised when the rights of tenure of a mining area are current and is considered probable that the costs will be recouped through successful development and exploitation of the area. Deferred exploration costs are amortised using the unit of production method, and are assessed for impairment if facts and circumstances indicate that impairment may exist.

(vi) Other intangible assets are stated at cost less accumulated amortisation. Amortisation is calculated on the straight line basis to allocate the cost of intangible assets over their estimated useful lives.

### **Tangible fixed assets and depreciation**

Freehold land and buildings, and the building component of owner-occupied leasehold properties are stated at cost less any accumulated depreciation and impairment. Long-term interests in leasehold land are classified as finance leases and grouped under tangible 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. Mining properties, which are contractual rights to mine and own coal reserves in specified concession areas, and other tangible fixed assets are stated at cost less amounts provided for depreciation. Cost of mining properties includes expenditure to restore and rehabilitate coal mining areas following the completion of production.

Depreciation of tangible fixed assets other than mining properties 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:

Buildings	14 – 150 years
Surface, finishes and services of hotel properties	20 – 30 years
Leasehold improvements	shorter of unexpected lease term or useful life
Leasehold land	period of the lease
Plant and machinery	2 – 25 years
Furniture, equipment and motor vehicles	2 – 25 years

No depreciation is provided on freehold land as it is deemed to have an indefinite life. Mining properties are depreciated using the unit of production method.

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.

#### ***Bearer plants***

Bearer plants are stated at cost less any accumulated depreciation and impairment loss. The cost of bearer plants includes costs incurred for field preparation, planting, fertilising and maintenance, capitalisation of borrowing costs incurred on loans used to finance the development of immature bearer plants and an allocation of other indirect costs based on planted hectares. Bearer plants are considered mature three to four years after planting and once they are generating fresh fruit bunches which average four to six tonnes per hectare per year. Depreciation of mature bearer plants commences in the year when the bearer plants are mature using the straight-line method over the estimated useful life of 20 years. Agricultural produce growing on bearer plants comprise oil palm fruits which are measured at fair value. Changes in fair value are recorded in the profit and loss account.

#### ***Investments***

The Group classifies its investments into the following measurement categories:

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

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

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

Debt investments that are held for collection of contractual cash flows and for sale, where the cash flows represent solely payments of principal and interest, are measured at fair value through other comprehensive income. On disposal, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit and loss.

Debt investments that are held for collection of contractual cash flows till maturity, where the cash flows represent solely payments of principal and interest, are measured at amortised cost. Any gain or loss arising on disposal is recognised in profit and loss.

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

Investments with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

The Group assesses on a forward-looking basis the expected credit losses associated with both types of debt investments. They are considered 'credit impaired' when one or more events that have a detrimental impact on the estimated future cash flows have occurred. Any impairment is 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 investments.

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

### **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.

(i) Amount due from lessees under finance leases are recorded as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

(ii) Plant and machinery under finance leases are capitalised at the commencement of the lease at the lower of the fair value of the leased asset and the present value of the minimum lease payments. Lease payments are allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding.

(iii) 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 costs, and construction and other development costs.

### **Stocks and work in progress**

Stocks, which principally comprise goods held for resale, are stated at the lower of cost and net realisable value. Cost is determined by the first-in, first-out method. The cost of finished goods and work in progress comprises raw materials, labour and an appropriate proportion of overheads.

### **Debtors**

Financing and trade debtors are recognised initially at the amount of consideration that is unconditional and measured subsequently at amortised cost using the effective interest method. Finance lease receivables are shown as the finance lease receivables plus the guaranteed residual values at the end of the lease period, net of unearned finance lease income, security deposits and provision for doubtful receivables. A contract asset arises if the Group has a right to consideration in exchange for goods or services the Group has transferred to a customer, that is conditional on something other than the passage of time. Repossessed collateral of finance companies are measured at the lower of the carrying amount of the debtors in default and fair value less costs to sell. All other debtors, excluding derivative financial instruments, are measured at amortised cost except where the effect of discounting would be immaterial. The Group assesses on a forward-looking basis using the three stages expected credit losses model on potential losses associated with its consumer financing debtors and financing lease receivables. The impairment measurement is subject to whether there has been a significant increase in credit risk. For trade debtors and contract assets, the Group applied the simplified approach as permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the debtors. Provision for impairment is established by considering potential financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in arriving at operating profit. When a debtor is uncollectible, it is written off against the allowance account. Subsequent recoveries of amount previously written off are credited to profit and loss.

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

### **Cash and cash equivalents**

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

Liquid investments, which are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value, are included in bank balances and other liquid funds and are stated at market value. Increases or decreases in market value are recognised in profit and loss.

### **Provisions**

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

### **Borrowings and borrowing costs**

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

On the issue of bonds which are convertible into a fixed number of ordinary shares of the issuing entity, the fair value of the liability portion is determined using a market interest rate for an equivalent non-convertible bond; this amount is included in long-term borrowings on the amortised cost basis until extinguished on conversion or maturity of the bond. The remainder of the proceeds is allocated to the conversion option which is recognised and included in shareholders' funds. On the issue of convertible bonds which are not convertible into the issuing entity's own shares or which are not convertible into a fixed number of ordinary shares of the issuing entity, the fair value of the conversion option component is determined and included in current liabilities, and the residual amount is allocated to the carrying amount of the bond. Any conversion option component included in current liabilities is shown at fair value with changes in fair value recognised in profit and loss.

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

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

### **Current and deferred tax**

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

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

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

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

### **Employee benefits**

#### **(i) 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.

#### **(ii) Share-based compensation**

The Company and its subsidiaries and associates operate a number of equity settled employee share option schemes.

The fair value of the employee services received in exchange for the grant of the options in respect of options granted after 7th November 2002 is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted as determined on the grant date. At each balance sheet date, the entity revises its estimates of the number of options that are expected to become exercisable. The impact of the revision of original estimates, if any, is recognised in profit and loss.



### ***Derivative financial instruments***

The Group only enters into derivative financial instruments in order to hedge underlying exposures and not as speculative investments. Derivative financial instruments are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. The method of recognising the resulting gain or loss is dependent on the nature of the item being hedged. The Group designates certain derivatives as a hedge of the fair value of a recognised asset or liability ('fair value hedge'), or a hedge of a forecasted transaction or of the foreign currency risk on a firm commitment ('cash flow hedge'), or a hedge of a net investment in a foreign entity.

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

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

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

Certain derivative transactions, while providing effective economic hedges under the Group's risk management policies, do not qualify for hedge accounting under the specific rules in IFRS 9. Changes in the fair value of any derivative instruments that do not qualify for hedge accounting under IFRS 9 are recognised immediately in profit and loss.

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

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

### **Insurance contracts**

Insurance contracts are those contracts that transfer significant insurance risk.

Premiums on insurance contracts are recognised as revenue proportionately over the period of coverage. The portion of premium received on in-force contracts that relates to unexpired risks at the balance sheet date is reported as the unearned premium liability. Claims and loss adjustment expenses are charged to profit and loss as incurred based on the estimated liabilities for compensation owed to contract holders or third parties damaged by the contract holders. They include direct and indirect claims settlement costs and arise from events that have occurred up to the balance sheet date even if they have not yet been reported to the Group. The Group does not discount its liabilities for unpaid claims. Liabilities for unpaid claims are estimated using the input of assessments for individual cases reported to the Group and statistical analyses for the claims incurred but not reported.

Financial guarantee contracts under which the Group accepts significant risk from a third party by agreeing to compensate that party on the occurrence of a specified uncertain future event are accounted for in a manner similar to insurance contracts. Provisions are recognised when it is probable that the Group has obligations under such guarantees and an outflow of resources embodying economic benefits will be required to settle the obligations.

### **Offsetting financial instruments**

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

### **Non-trading items**

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

### **Earnings per share**

Basic earnings per share are calculated on profit attributable to shareholders and on the weighted average number of shares in issue during the year. The weighted average number excludes the Company's share of the shares held by subsidiaries and the shares held by the Trustee under the Senior Executive Share Incentive Schemes. For the purpose of calculating diluted earnings per share, profit attributable to shareholders is adjusted for the effects of the conversion of dilutive potential ordinary shares of subsidiaries, associates or joint ventures, and the weighted average number of shares is adjusted for the number of shares which are deemed to be issued for no consideration under the Senior Executive Share Incentive Schemes based on the average share price during the year.

### **Dividends**

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

The nominal amount of the ordinary shares issued as a result of election for scrip is capitalised out of the share premium account or other reserves, as appropriate.

### **Revenue recognition**

#### **(i) Property**

##### **Properties for sale**

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

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

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

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

#### *Investment properties*

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

#### (ii) Motor vehicles

Revenue from the sale of motor vehicles, including motorcycles, and rendering of aftersales services, is recognised through dealership structures. In instances where the contracts with customers include multiple deliverables, the separate performance obligations are identified. The transaction price, which is represented by the consideration fixed in the contract and net of discounts if any, is then allocated to each performance obligation based on their relative stand-alone selling prices. When a stand-alone selling price is not directly observable, it is estimated. Revenue from the sale of motor vehicles is recognised when control of the motor vehicles is transferred to the customer, which generally coincides with the point of delivery. Revenue from the aftersales services is recognised when the services are rendered. In instances where payments are received in advance from customers but there are unfulfilled aftersales services obligations by the Group, a contract liability is recognised for which revenue is subsequently recognised over time as the services are rendered.

#### (iii) Retail and restaurants

Revenue from retail includes sales from the supermarket and hypermarkets, health and beauty stores, and home furnishing stores. Revenue consists of the fair value of goods sold to customers, net of returns, discounts and sales related taxes. Sale of goods is recognised at the point of sale, when the control of the asset is transferred to the customers, and is recorded at the net amount received from customers.

Revenue from restaurants comprises the sale of food and beverages and is recognised at the point when the Group sells the food and beverages to the customer and payment is due immediately when the customer purchases the food and beverages.

#### (iv) Financial services

Revenue from consumer financing and finance leases is recognised over the term of the respective contracts based on a constant rate of return on the net investment, using the effective interest method. Revenue from insurance premiums is recognised proportionately over the period of coverage. The portion of premium received on in-force contracts that relates to unexpired risks at the balance sheet date is reported as the unearned premium liability.

#### (v) Engineering, heavy equipment, mining and construction

##### *Engineering*

Revenue from engineering, including supplying, installing and servicing engineering equipment is recognised over time based on the enforceable right to payment for the performance completed to date and using the output method on the basis of direct measurements of the value to customer of the Group's performance to date, as evidenced by the certification by qualified architects and/or surveyors. When there is more than one single performance obligation under a contract or any contract modification creates a separate performance obligation, the revenue will be allocated to each performance obligation based on their relative stand-alone selling prices. Payments received in advance from customers but there are unfulfilled obligations, are recognised as contract liabilities.

Claims, variations and liquidated damages are accounted for as variable consideration and are included in contract revenue provided that it is highly probable that a significant reversal will not occur in the future.

#### *Heavy equipment*

Revenue from heavy equipment includes sale of heavy equipment and rendering of maintenance services. In instances where the contracts with customers include multiple deliverables, the separate performance obligations are identified and generally referred as sale of heavy equipment and rendering of maintenance services. The transaction price, which is represented by the consideration fixed in the contract and net of discounts if any, is then allocated to each performance obligation based on their relative stand-alone selling prices. Revenue from the sale of heavy equipment is recognised when control of the heavy equipment is transferred to the customer, which generally coincides with the point of delivery. Payments from customers for maintenance services are received in advance and recognised as a contract liability. Revenue from the maintenance services is recognised based on the actual service provided to the end of the reporting period as a proportion of the total services to be reported, as soon as it can be estimated reliably. The stage of completion is measured by reference to cost incurred to date compared to estimated total costs for each contract.

#### *Mining*

Revenue from mining includes contract mining services and through the Group's own production. The performance obligations identified as contract mining services relate to the extraction of coal and removal of overburden on behalf of the customers. Revenue is recognised when the services are rendered by reference to the volume of coal extracted and overburden removed at contracted rates, and payment is due upon delivery. Revenue from its own mining production is recognised when control of the output is transferred to the customer, which generally coincides with the point of delivery.

#### *Construction*

Revenue from construction includes contracts to provide construction and foundation services for building, civil and maritime works. Under the contracts, the Group's construction activities creates or enhances an asset or work in progress that the customer controls as the asset is created or enhanced, and hence revenue is recognised over time by reference to the progress towards completing the construction works. Under this method, the revenue recognised is based on the latest estimate of the total value of the contract and actual completion rate determined by reference to the physical state of progress of the works.

Claims, variations and liquidated damages are accounted for as variable consideration and are included in contract revenue provided that it is highly probable that a significant reversal will not occur in the future.

#### (vi) Hotels

Revenue from hotel ownership comprises amounts earned in respect of rental of rooms, food and beverage sales, and other ancillary services and goods supplied by the subsidiary hotels. Revenue is recognised over the period when rooms are occupied or services are performed. Revenue from the sale of food and beverages and goods is recognised at the point of sale when the food and beverages and goods are delivered to customers. Payment is due immediately when the hotel guest occupies the room and receives the services and goods.

Revenue from hotel and residences branding and management comprises gross fees earned from the branding and management of all the hotels and residences operated by the Group. Branding and management fees are recognised over time as determined by the relevant contract, taking into account the performance of the hotels, and the sales and operating expenses of the residences. Fees charged to the subsidiary hotels are eliminated upon consolidation. Hotels and residences are invoiced in accordance with the terms of contract and fees are payable when invoiced.

#### ***Pre-operating costs***

Pre-operating costs are expensed as they are incurred.

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### 39 Standards and Amendments Issued But Not Yet Effective

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

#### *IFRS 16 'Leases' (effective from 1st January 2019)*

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

IFRS 16 will affect primarily the accounting for the Group's operating leases. The key financials of the Group's retail, restaurants and motor dealership businesses will be most affected by the new standard. The Group will apply IFRS 16 based on a full retrospective approach from 1st January 2019.

Based on the current assessment, it is estimated that the change in accounting for the Group's operating leases will result in the recognition of right-of-use assets and lease liabilities of both approximately US\$4.5 billion as at 1st January 2018 and 31st December 2018. The Group's underlying profit attributable to shareholders for the year ended 31st December 2018 would decrease by approximately 3%. The impact to shareholders' funds and gearing both as at 1st January 2018 and 31st December 2018 are insignificant.

#### *IFRS 17 'Insurance Contracts' (effective from 1st January 2021)*

The standard replaces IFRS 4 'Insurance Contracts'. It is a comprehensive standard with a fundamental overhaul of insurance accounting, covering recognition and measurement, presentation and disclosure. It requires insurance contract liabilities reported on the balance sheet using current assumptions at each reporting date. It is likely to have a significant impact on profit and shareholders' funds for insurance companies. There could also be an increase in volatility in reported profit and shareholders' funds compared to today's accounting models. The new standard will have an effect on the Group's insurance companies, which are in the process of reviewing the standard and identifying an implementation plan.

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## 40 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 Jardine Matheson 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, caps and collars, cross-currency swaps, forward foreign exchange contracts and foreign currency options as appropriate for hedging transactions and managing the Group's assets and liabilities in accordance with the Group's financial risk management policies. Financial derivative contracts are executed between third party banks and the Group entity that is directly exposed to the risk being hedged. Hedge accounting is applied to remove the accounting mismatch between the hedging instrument and the hedged item. The effective portion of the change in the fair value of the hedging instrument is deferred into the cash flow hedge reserve through other comprehensive income and will be recognised in profit and loss when the hedged item affects profit and loss. This will effectively result in recognising interest expense at a fixed interest rate for the hedged loans and inventory at the fixed foreign currency rate for the hedged purchases.

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

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

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

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

Hedge ineffectiveness for interest rate swaps is assessed using the same principles as for hedges of foreign currency purchases. It may occur due to: (i) the credit value/debit value adjustment on the interest rate swaps which is not matched by the loan; and (ii) differences in critical terms between the interest rate swaps and loans. There was no ineffectiveness during 2018 or 2017 in relation to the interest rate swaps.

#### (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, forward foreign exchange contracts and foreign currency options 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 2018 the Group's Indonesian rupiah functional entities had United States dollar denominated net monetary assets of US\$106 million (2017: US\$358 million). At 31st December 2018, if the United States dollar had strengthened/weakened by 10% against the Indonesian rupiah with all other variables unchanged, the Group's profit after tax would have been US\$8 million higher/lower (2017: US\$27 million higher/lower), arising from foreign exchange gains/losses taken on translation. The impact on amounts attributable to the shareholders of the Company would be US\$2 million higher/lower (2017: US\$6 million higher/lower). This sensitivity analysis ignores any offsetting foreign exchange factors and has been determined assuming that the change in foreign exchange rates had occurred at the balance sheet date. The stated change represents management's assessment of reasonably possible changes in foreign exchange rates over the period until the next annual balance sheet date. There are no other significant monetary balances held by Group companies at 31st December 2018 that are denominated in a non-functional currency. Differences resulting from the translation of financial statements into the Group's presentation currency are not taken into consideration.

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

#### *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, caps and collars. 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, exclusive of the financial services companies, in fixed rate instruments. At 31st December 2018 the Group's interest rate hedge exclusive of the financial services companies was 39% (2017: 38%), with an average tenor of six years (2017: six years). The financial services companies borrow predominately at a fixed rate. The interest rate profile of the Group's borrowings after taking into account hedging transactions are set out in note 28.

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, caps and collars for a maturity of up to five years. Forward rate agreements and interest rate swaps have the economic effect of converting borrowings from floating rate to fixed rate, caps provide protection against a rise in floating rates above a pre-determined rate, whilst collars combine the purchase of a cap and the sale of a floor to specify a range in which an interest rate will fluctuate.



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

At 31st December 2018, if interest rates had been 100 basis points higher/lower with all other variables held constant, the Group's profit after tax would have been US\$5 million lower/higher (2017: US\$8 million higher/lower), and hedging reserves would have been US\$92 million (2017: US\$93 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. There is no significant sensitivity resulting from interest rate caps and collars. The 100 basis point increase or decrease represents management's assessment of a reasonably possible change in those interest rates which have the most impact on the Group, specifically the United States, Hong Kong and Indonesian rates, over the period until the next annual balance sheet date. In the case of effective fair value hedges, changes in the fair value of the hedged items caused by interest rate movements balance out in the 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 its equity investments which are measured at fair value through profit and loss and debt investments which are measured at fair value through other comprehensive income. Gains and losses arising from changes in the fair value of these investments are recognised in profit and loss or other comprehensive income according to their classification. The performance of these investments are monitored regularly, together with an assessment of their relevance to the Group's long-term strategic plans. Details of these investments are contained in note 15.

The Group's interest in these investments are unhedged. At 31st December 2018, if the price of these investments had been 25% higher/lower with all other variables held constant, total equity would have been US\$661 million (2017: US\$673 million) higher/lower, of which US\$526 million (2017: US\$520 million) relating to equity investments would be reflected in operating profit as non-trading items. The sensitivity analysis has been determined based on a reasonable expectation of possible valuation volatility over the next 12 months.

The Group is exposed to financial risks arising from changes in commodity prices, primarily coal, steel rebar and copper. The Group considers the outlook for coal, steel rebar and copper prices regularly in considering the need for active financial risk management. The Group's policy is generally not to hedge commodity price risk, although limited hedging may be undertaken for strategic reasons. In such cases the Group uses forward contracts to hedge the price risk. To mitigate or hedge the price risk, Group entities may enter into a forward contract to buy the commodity at a fixed price at a future date, or a forward contract to sell the commodity at a fixed price at a future date.



(ii) Credit risk

The Group's credit risk is primarily attributable to deposits with banks, contractual cash flows of debt investments carried at amortised cost and those measured at fair value through other comprehensive income, credit exposures to customers and derivative financial instruments with a positive fair value. The Group has credit policies in place and the exposures to these credit risks are monitored on an ongoing basis.

The Group manages its deposits with banks and financial institutions and transactions involving derivative financial instruments by monitoring credit ratings and capital adequacy ratios of counterparties, and limiting the aggregate risk to any individual counterparty. The utilisation of credit limits is regularly monitored. Similarly transactions involving derivative financial instruments are with banks with sound credit ratings and capital adequacy ratios. In developing countries it may be necessary to deposit money with banks that have a lower credit rating, however the Group only enters into derivative transactions with counterparties which have credit ratings of at least investment grade. Management does not expect any counterparty to fail to meet its obligations.

The Group's debt investments are considered to be low risk investments. The investments are monitored for credit deterioration based on credit ratings from major rating agencies.

In respect of credit exposures to customers, the Group has policies in place to ensure that sales on credit without collateral are made principally to corporate companies with an appropriate credit history and credit insurance is purchased for businesses where it is economically effective. The Group normally obtains collateral over vehicles from consumer financing debtors towards settlement of vehicle receivables. Customers give the right to the Group to sell the repossessed collateral or take any other action to settle the outstanding receivable. Sales to other customers are made in cash or by major credit cards.

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

(iii) Liquidity risk

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

At 31st December 2018, total available borrowing facilities amounted to US\$26.4 billion (2017: US\$22.8 billion) of which US\$14.2 billion (2017: US\$12.8 billion) was drawn down. Undrawn committed facilities, in the form of revolving credit and term loan facilities, and undrawn uncommitted facilities totalled US\$8.0 billion (2017: US\$6.9 billion) and US\$4.2 billion (2017: US\$3.1 billion), respectively.

The following table analyses the Group's non-derivative financial liabilities, net-settled derivative financial liabilities and gross-settled derivative 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
<b>At 31st December 2018</b>							
Borrowings	7,612	1,836	1,428	2,186	585	2,376	<b>16,023</b>
Creditors	8,654	108	59	22	22	41	<b>8,906</b>
Gross settled derivative financial instruments							
– inflow	3,814	699	680	899	252	1,052	<b>7,396</b>
– outflow	3,819	721	687	886	239	1,053	<b>7,405</b>
Estimated losses on insurance contracts	178	–	–	–	–	–	<b>178</b>
<b>At 31st December 2017</b>							
Borrowings	5,907	2,482	1,372	872	1,746	2,162	14,541
Creditors	7,978	84	92	16	12	46	8,228
Net settled derivative financial instruments	1	–	–	–	–	–	1
Gross settled derivative financial instruments							
– inflow	1,336	754	333	136	873	1,098	4,530
– outflow	1,361	767	346	143	872	1,089	4,578
Estimated losses on insurance contracts	161	–	–	–	–	–	161

### 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 and other liquid funds. Interest cover is calculated as underlying operating profit and share of results of associates and joint ventures divided by net financing charges. The ratios are monitored both inclusive and exclusive of the Group's financial services companies, which by their nature are generally more highly leveraged than the Group's other businesses. The Group does not have a defined gearing or interest cover benchmark or range.

The ratios at 31st December 2018 and 2017 are as follows:

	2018	2017
Gearing ratio exclusive of financial services companies (%)	10	6
Gearing ratio inclusive of financial services companies (%)	16	12
Interest cover exclusive of financial services companies (times)	15	23
Interest cover inclusive of financial services companies (times)	17	28

**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 values of listed securities and bonds are 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 caps, cross-currency swaps and forward foreign exchange contracts are calculated by reference to market interest rates and foreign exchange rates.

The fair values of unlisted investments mainly include club and school debentures, are determined using prices quoted by brokers at the balance sheet date.

(c) Inputs for assets or liabilities that are not based on observable market data ('unobservable inputs')

The fair values of other unlisted equity investments are determined using valuation techniques by reference to observable current market transactions (including price-to earnings and price-to book ratios of listed securities of entities engaged in similar industries) or the market prices of the underlying investments with certain degree of entity specific estimates or discounted cash flow by projecting the cash inflows from these investments.

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	Unobservable inputs US\$m	Total US\$m
<b>2018</b>				
<b>Assets</b>				
Other investments				
– equity investments	1,792	57	253	2,102
– debt investments	540	–	–	540
	2,332	57	253	2,642
Derivative financial instruments at fair value				
– through other comprehensive income	–	183	–	183
– through profit and loss	–	6	–	6
	2,332	246	253	2,831
<b>Liabilities</b>				
Contingent consideration payable	–	–	(10)	(10)
Derivative financial instruments at fair value				
– through other comprehensive income	–	(42)	–	(42)
– through profit and loss	–	(10)	–	(10)
	–	(52)	(10)	(62)
<b>2017</b>				
<b>Assets</b>				
Other investments				
– equity investments	1,983	47	49	2,079
– debt investments	613	–	–	613
	2,596	47	49	2,692
Derivative financial instruments at fair value				
– through other comprehensive income	–	37	–	37
– through profit and loss	–	10	–	10
	2,596	94	49	2,739
<b>Liabilities</b>				
Contingent consideration payable	–	–	(10)	(10)
Derivative financial instruments at fair value				
– through other comprehensive income	–	(34)	–	(34)
– through profit and loss	–	(9)	–	(9)
	–	(43)	(10)	(53)

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

Movements of financial instruments which are valued based on unobservable inputs during the year ended 31st December are as follows:

	2018		2017	
	Unlisted equity investments	Contingent consideration payable	Unlisted equity investments	Contingent consideration payable
	US\$m	US\$m	US\$m	US\$m
At 1st January				
– as previously reported	<b>49</b>	<b>(10)</b>	56	(10)
– change in accounting policy ( <i>refer note 1</i> )	<b>58</b>	–	–	–
– as restated	<b>107</b>	<b>(10)</b>	56	(10)
Exchange differences	<b>(13)</b>	–	2	–
Additions	<b>163</b>	–	2	–
Disposals	–	–	(11)	–
Net change in fair value during the year included in profit and loss	<b>(4)</b>	–	–	–
At 31st December	<b>253</b>	<b>(10)</b>	49	(10)

The contingent consideration payable mainly arose from Astra's acquisition of a 60% interest in PT Duta Nurcahya in 2012 and represents the fair value of service fee payable for mining services to be provided by the vendor.

(ii) Financial instruments that are not measured at fair value

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

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

**Financial instruments by category**

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

	Fair value of hedging instruments US\$m	Fair value through profit and loss US\$m	Fair value through other comprehensive income US\$m	Financial assets at amortised costs US\$m	Other financial liabilities US\$m	Total carrying amount US\$m	Fair value US\$m
<b>2018</b>							
<b>Financial assets</b>							
<b>measured at fair value</b>							
Other investments							
– equity investments	–	2,102	–	–	–	2,102	2,102
– debt investments	–	–	540	–	–	540	540
Derivative financial instruments	189	–	–	–	–	189	189
	<b>189</b>	<b>2,102</b>	<b>540</b>	<b>–</b>	<b>–</b>	<b>2,831</b>	<b>2,831</b>
<b>Financial assets not measured at fair value</b>							
Debtors	–	–	–	8,112	–	8,112	8,178
Bank balances	–	–	–	4,988	–	4,988	4,988
	<b>–</b>	<b>–</b>	<b>–</b>	<b>13,100</b>	<b>–</b>	<b>13,100</b>	<b>13,166</b>
<b>Financial liabilities measured at fair value</b>							
Derivative financial instruments	(52)	–	–	–	–	(52)	(52)
Contingent consideration payable	–	(10)	–	–	–	(10)	(10)
	<b>(52)</b>	<b>(10)</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>(62)</b>	<b>(62)</b>
<b>Financial liabilities not measured at fair value</b>							
Borrowings (excluding finance lease liabilities)	–	–	–	–	(14,193)	(14,193)	(14,376)
Finance lease liabilities	–	–	–	–	(38)	(38)	(38)
Trade and other payable excluding non-financial liabilities	–	–	–	–	(8,896)	(8,896)	(8,896)
	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>(23,127)</b>	<b>(23,127)</b>	<b>(23,310)</b>

	Fair value of hedging instruments US\$m	Fair value through profit and loss US\$m	Fair value through other comprehensive income US\$m	Financial assets at amortised costs US\$m	Other financial liabilities US\$m	Total carrying amount US\$m	Fair value US\$m
<i>2017</i>							
<i>Financial assets measured at fair value</i>							
Other investments							
– equity investments	–	2,079	–	–	–	2,079	2,079
– debt investments	–	–	613	–	–	613	613
Derivative financial instruments	47	–	–	–	–	47	47
	47	2,079	613	–	–	2,739	2,739
<i>Financial assets not measured at fair value</i>							
Other investments							
– debt investments	–	–	–	3	–	3	3
Debtors	–	–	–	8,040	–	8,040	8,178
Bank balances	–	–	–	6,005	–	6,005	6,005
	–	–	–	14,048	–	14,048	14,186
<i>Financial liabilities measured at fair value</i>							
Derivative financial instruments	(43)	–	–	–	–	(43)	(43)
Contingent consideration payable	–	(10)	–	–	–	(10)	(10)
	(43)	(10)	–	–	–	(53)	(53)
<i>Financial liabilities not measured at fair value</i>							
Borrowings (excluding finance lease liabilities)	–	–	–	–	(12,807)	(12,807)	(12,941)
Finance lease liabilities	–	–	–	–	(4)	(4)	(4)
Trade and other payable excluding non-financial liabilities	–	–	–	–	(8,218)	(8,218)	(8,218)
	–	–	–	–	(21,029)	(21,029)	(21,163)

## 41 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 franchise rights, leasehold land, concession rights, tangible assets, investment properties and plantations are determined by independent valuers by reference to market prices or present value of expected net cash flows from the assets. Any changes in the assumptions used and estimates made in determining the fair values, and management's ability to measure reliably the contingent liabilities of the acquired entity will impact the carrying amount of these assets and liabilities.

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

### **Investment properties**

The fair values of investment properties, which are principally held by Hongkong Land, are determined by independent valuers on an open market for existing-use basis calculated on the discounted net income allowing for reversionary potential. For investment properties in Hong Kong and Singapore, capitalisation rates in the range of 2.75% to 3.50% for office (2017: 2.75% to 3.50%) and 3.75% to 5.00% for retail (2017: 3.75% to 5.00%) are used by Hongkong Land in the fair value determination.

Consideration has 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 amount of estimated coal reserves, the discount rates or the growth rate assumptions in the cash flow projections, could materially affect the value-in-use calculations.

The results of the impairment reviews undertaken at 31st December 2018 on the Group's indefinite life franchise rights indicated that no impairment charge was necessary. If there is a significant increase in the discount rate and/or a significant adverse change in the projected performance of the business to which these rights attach, it may be necessary to take an impairment charge to profit and loss in the future.

The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the balance sheet date (refer note 16).



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

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

### ***Pension obligations***

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

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

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

### ***Revenue recognition***

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

For revenue from the heavy equipment maintenance contracts, the Group exercises judgment in determining the level of actual service provided to the end of the reporting period as a proportion of the total services to be reported, and estimated total costs of the maintenance contracts. When it is probable that total contract costs will exceed total contract revenue, the expected loss is immediately recognised as a current year expense.

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

### ***Non-trading items***

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

# Independent Auditors' Report

To the members of Jardine Matheson Holdings Limited

## Report on the audit of the Financial Statements

### Opinion

In our opinion, Jardine Matheson Holdings Limited's Group ('the Group') financial statements (the 'financial statements'):

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

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

Certain required disclosures have been presented in the Corporate Governance section on page 133, rather than in the Notes to the Financial Statements. These disclosures are cross-referenced from the financial statements and are identified as audited.

### Basis for opinion

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

### Independence

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

### Our audit approach

#### Overview

##### Materiality

- Overall Group materiality: US\$262.5 million (2017: US\$448.0 million), based on 5% of consolidated profit before tax of the Group's largest subsidiary, Jardine Strategic Holdings Limited.
- Specific Group materiality: US\$235.5 million (2017: US\$206.0 million), based on 5% of consolidated underlying profit before tax of the Group's largest subsidiary, Jardine Strategic Holdings Limited.

##### Audit scope

- A full scope audit was performed on five entities – Jardine Cycle & Carriage Limited (which includes PT Astra International Tbk), Hongkong Land Holdings Limited, Dairy Farm International Holdings Limited, Jardine Motors Group Holdings Limited and Mandarin Oriental International Limited.
- These entities, together with procedures performed on central functions and at the Group level, accounted for 94% of the Group's revenue, 94% of the Group's profit before tax, and 93% of the Group's underlying profit before tax.
- A full scope audit of a joint venture, which accounted for a further 0.6% of the Group's profit before tax and 0.7% of the Group's underlying profit before tax, was also performed.

##### Key audit matters

- Valuation of investment properties
- Impairment of goodwill in subsidiaries and investments in associates and joint ventures
- Provisioning for consumer financing debtors
- Dairy Farm restructuring of businesses costs

### *The scope of our audit*

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

### *Key audit matters*

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

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#### **Key audit matter**

#### **How our audit addressed the key audit matter**

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##### **Valuation of investment properties**

*Refer to note 41 (Critical Accounting Estimates and Judgements) and note 12 (Investment Properties) to the financial statements.*

*The fair value of the Group's investment properties amounted to US\$34,753 million at 31st December 2018, with a revaluation gain of US\$1,251 million recognised as a non-trading item in the Consolidated Profit and Loss account for the year. The Group's property portfolio principally consists of commercial properties.*

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

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

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

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

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

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

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

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

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

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**Key audit matter**

**Impairment of goodwill in subsidiaries and investments in associates and joint ventures**  
Refer to note 41 (Critical Accounting Estimates and Judgements), note 10 (Intangible Assets) and note 14 (Associates and Joint Ventures) to the financial statements.

As at 31st December 2018, goodwill in subsidiaries totalled US\$1,224 million and investments in associates and joint ventures totalled US\$14,611 million.

Management undertook impairment assessments, as required by accounting standards, noting certain cash generating units ('CGUs') that were underperforming or loss making.

Impairment charges of US\$117 million were recognised against goodwill held in subsidiaries during the year ended 31st December 2018 where the recoverable amount was less than the carrying value.

The determination of the recoverable amount of CGUs requires significant judgements by management, particularly management's view on key internal inputs and external market conditions which impact future cash flows, the discount rates and long term growth rates.

**How our audit addressed the key audit matter**

We have reviewed and understood management's impairment assessment process, including the identification of indicators of impairment and appropriateness of the valuation models used. We assessed management's determination of CGUs. Where we identified a risk of impairment we performed the following procedures.

With the support of our valuation specialists, we benchmarked and challenged key assumptions in management's valuation models used to determine recoverable amounts, including assumptions of projected profits of businesses, long term growth rates and discount rates appropriate for the CGUs under review, using our knowledge and experience.

We tested the discounted cash flow models used by management in their assessments, checked the accuracy of the calculations, compared historical budgeted performance to actual results and agreed the figures used to the detailed management approved budgets to assess the reasonableness of the cash flows used in the models.

Our challenge focused particularly on the discount rates and long term growth rates used. We compared the discount rates used to the range of typical discount rates used in similar businesses and considered whether management had incorporated all relevant macro-economic and country-specific factors, as well as those specific to those CGUs, in determining their discount rates.

For growth rates we compared each rate used to the range of growth rates used by similar businesses, considering whether management had considered macro-economic and country-specific factors specific to the relevant businesses. We also tested management's historical estimation accuracy by comparing previous projected growth rates to the actual growth achieved. Where differences were noted we understood management's rationale and the evidence, such as actual recent performance, to support management's estimates.

We evaluated the sensitivity analysis performed by management and performed our independent sensitivity analysis on the key assumptions above and considered a range of alternative outcomes to determine the sensitivity of the valuation models to changes in assumptions.

Where the recoverable amount was lower than the carrying amount of the CGU, we checked the calculation of the impairment charge recognised.

Based on the work performed, we found that the judgements made by management to determine the discount rates, long term growth rates and valuation models were reasonable.

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**Key audit matter****How our audit addressed the key audit matter**

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**Provisioning for consumer financing debtors**  
*Refer to note 38 (Principal Accounting Policies) and note 16 (Debtors) to the financial statements.*

*As at 31st December 2018, consumer financing debtors of the Group amounted to US\$4,215 million, held primarily in PT Astra Sedaya Finance ('ASF') and PT Federal International Finance ('FIF'), subsidiaries of the Group.*

*Assessing the provision for impairment of consumer financing debtors requires management to make complex and subjective judgements over both the timing of recognition and estimation of any impairment required.*

*Provisions for impairment are calculated on a collective basis for large homogeneous portfolios using models driven by a number of observable inputs and management assumptions. Assumptions and parameters used in the calculations are based on historical data and current customer credit data and include the delinquency status of the borrowers.*

*The historical loss rates are then adjusted to reflect current and forward-looking information on macro-economic factors affecting the settlement of the amounts due from consumer financing debtors.*

We understood and tested the design and key controls over the credit reviews and approval processes that management has in place on the granting of loans. In addition, over consumer financing debtors' data and impairment calculations, we:

- understood the identification of impairment events and how management identify all such events;
- assessed the classification of loans that were impaired; and
- tested the calculation of the impairment provisions on identified loans.

We adopted a combination of tests of controls and tests of details for our audit of provisions for impairment of consumer financing debtors of ASF and FIF to obtain sufficient audit evidence. In addition to tests of controls, we understood management's basis for determining whether a loan is impaired and assessed the reasonableness of that basis through discussions with management, our understanding of the Group's lending portfolios and our broader industry knowledge.

We assessed the models used and the assumptions applied by management, such as the basis on which the probability of default is calculated and estimated losses in the event of default, and how these compared with historical data adjusting for current market conditions and trends. We challenged whether historical experience was representative of current circumstances and of recent losses incurred in the portfolios. We re-performed the provision calculations independently and understood any significant differences identified.

Based on our procedures, management's assumptions are supported by available industry data, historical data and within a reasonable range based on actual loss rate data.

We tested the completeness and accuracy of the consumer financing debtor's data from underlying systems that are used in the calculations and models used to determine the impairment provisions.

In considering the appropriateness of provisions, we assessed whether consumer financing debtors in higher risk segments had been appropriately considered and captured in the impairment provision by challenging management on their key areas of judgement, including the segmentation of the portfolio of consumer financing debtors, the period of historical loss data used, identification of the most relevant macro-economic factors affecting the settlement of the amounts due from consumer financing debtors, and estimated market value for collateral held based on our understanding of the counterparties and current market conditions.

Based on the evidence obtained, we found that the assumptions and the data used in calculating provisions for impairment were supportable based on available evidence.

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**Key audit matter**

**How our audit addressed the key audit matter**

**Dairy Farm restructuring of businesses costs**

Refer to note 4 (Net Operating Costs), note 9 (Non-trading items) and note 10 (Intangible Assets) to the financial statements.

The Group has recognised business restructuring costs of US\$467 million in relation to the Southeast Asia Food business of Dairy Farm for the year ended 31st December 2018.

These costs comprise impairment of intangible assets (US\$102 million), impairment of tangible assets, onerous lease provisions and restructuring provisions.

As required by accounting standards, management performed detailed impairment assessments of the tangible assets having identified impairment indicators arising from the financial performance of the Southeast Asia Food business. The determination of the recoverable amount of tangible assets requires significant judgements, particularly management's view on key inputs and assumptions made in the cash flow forecasts including long-term growth rates.

Provisions for onerous lease contracts were recorded in respect of underperforming or loss making stores, where management identified that the expected future cash inflows were lower than the contractual lease obligations. The provisions were calculated based on the terms of rental agreements and the earlier of the remaining lease term or possible exit date.

Determining the provisions for restructuring required management to make judgements over the key inputs and assumptions, including the amount and timing of expected costs that will be incurred.

For the impairment of intangible assets, refer to our key audit matter in respect of impairment of goodwill in subsidiaries and investments in associates and joint ventures above.

We have reviewed management's strategic review and the associated restructuring programme for the Southeast Asia Food business, and scrutinised the detailed plans which have been approved by the Dairy Farm Board of Directors.

On a sample basis, we agreed the carrying value of tangible assets that were assessed for impairment to underlying financial records and fixed asset registers.

We tested the discounted cash flow models used by management to determine the amount of tangible asset impairment required. We assessed the cash flow forecasts by comparing historical budgeted performance to actual results, agreeing the financial information used to the Dairy Farm Board approved budget, and checked the accuracy of the calculations.

We tested the accuracy and completeness of the data used by management in the onerous lease calculations by agreeing key inputs, such as the cash flow forecasts for individual stores, to the detailed budget approved by the Dairy Farm Board. In addition, on a sample basis, we agreed the inputs used in the calculations to the underlying lease contracts.

We assessed the key inputs and assumptions used by management in calculating the restructuring provisions with reference to actual historical performance and underlying contractual agreements. We evaluated whether the assumptions were appropriate based on the evidence available.

We assessed whether the identification of restructuring costs and the recording of provisions, together with the assumptions made, had been consistently applied to each location identified in management's plan. We evaluated the costs and provisions booked against the requirements of the applicable accounting standards.

Based on the work performed, we consider that the key assumptions used, and calculations prepared by management to determine the tangible asset impairments, onerous lease provisions, and restructuring provisions to be supportable based on available evidence.



### *How we tailored the audit scope*

Jardine Matheson Holdings Limited is a holding company of a diversified group of businesses, some of which are separately listed.

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

The Group's accounting processes are structured around a finance function in each main business, which are responsible for their own accounting records and controls and which in turn report to a group finance function for that business. Each of the Group's listed subsidiaries have in addition to their own group finance functions, corporate governance structures and public reporting requirements. These businesses report financial information to the Group's finance function in Hong Kong to enable them to prepare consolidated financial statements.

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

For five entities – Jardine Cycle & Carriage Limited (which includes PT Astra International Tbk), Hongkong Land Holdings Limited, Dairy Farm International Holdings Limited, Jardine Motors Group Holdings Limited and Mandarin Oriental International Limited – a full scope audit of the complete financial information was performed. These entities, together with procedures performed on central functions and at the Group level (on the consolidation and other areas of significant judgement), accounted for 94% of the Group's revenue, 94% of the Group's profit before tax, and 93% of the Group's underlying profit before tax. A full scope audit of the complete financial information of a joint venture, which accounted for a further 0.6% of the Group's profit before tax and 0.7% of the Group's underlying profit before tax, was also performed. This gave us the evidence we needed for our opinion on the financial statements as a whole.

### *Materiality*

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

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

<b>Overall Group materiality</b>	US\$262.5 million (2017: US\$448.0 million)
<b>How we determined it</b>	5% of consolidated profit before tax of the Group's largest subsidiary, Jardine Strategic Holdings Limited.
<b>Rationale for benchmark applied</b>	Profit is the primary measure used by the shareholders in assessing the performance of the Group.

We set a specific materiality level of US\$235.5 million (2017: US\$206.0 million) for those items affecting underlying profit before tax, which included all transactions and balances recorded in the consolidated financial statements that were not related to investment properties. This was based upon 5% of the Group's largest subsidiary, Jardine Strategic Holdings Limited's consolidated underlying profit before tax. In arriving at this judgement we had regard to the fact that underlying profit is an important financial indicator of the Group.

Overall Group materiality and specific Group materiality equates to 5% of the Group's largest subsidiary, Jardine Strategic Holdings Limited's consolidated profit before tax and consolidated underlying profit before tax respectively.

For each component in the scope of our Group audit, we allocated a materiality that is less than our overall Group materiality. The range of overall materiality allocated across components was US\$4 million to US\$258 million. The range of specific materiality allocated across components was US\$4 million to US\$108 million.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above US\$10 million (2017: US\$10 million), other than classifications within the Consolidated Profit and Loss Account or Consolidated Balance Sheet, which were only reported above US\$105 million. We also reported misstatements below this amount that in our view, warranted reporting for qualitative reasons.

### **Conclusions relating to going concern**

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

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

### **Reporting on other information**

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

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

### **Responsibilities for the financial statements and the audit**

#### *Responsibilities of the directors for the financial statements*

As explained more fully in the Responsibility Statement set out on page 131, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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



#### *Auditors' responsibilities for the audit of the financial statements*

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

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

#### *Use of this report*

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Section 90 of the Companies Act 1981 (Bermuda) and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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

PricewaterhouseCoopers LLP  
Chartered Accountants  
London  
28th February 2019

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

## Five Year Summary

### Profit and Loss\*

	2018 US\$m	2017 US\$m	2016 US\$m	2015 US\$m	2014 US\$m
Revenue	<b>42,527</b>	38,748	37,051	37,007	39,921
Profit attributable to shareholders	<b>1,732</b>	3,943	2,503	1,799	1,712
Underlying profit attributable to shareholders	<b>1,703</b>	1,543	1,386	1,360	1,531
Earnings per share (US\$)	<b>4.60</b>	10.48	6.69	4.82	4.62
Underlying earnings per share (US\$)	<b>4.53</b>	4.10	3.71	3.64	4.13
Dividends per share (US\$)	<b>1.70</b>	1.60	1.50	1.45	1.45

### Balance Sheet\*

	2018 US\$m	2017 US\$m	2016 US\$m	2015 US\$m	2014 US\$m
Total assets	<b>86,258</b>	82,633	71,176	66,581	66,032
Total liabilities	<b>(27,061)</b>	(24,865)	(21,374)	(21,081)	(21,547)
Total equity	<b>59,197</b>	57,768	49,802	45,500	44,485
Shareholders' funds	<b>26,342</b>	25,659	21,815	19,886	19,196
Net debt (excluding net debt of financial services companies)	<b>5,950</b>	3,403	2,087	2,972	2,483
Net asset value per share (US\$)	<b>69.91</b>	68.19	58.19	53.30	51.60

### Cash Flow

	2018 US\$m	2017 US\$m	2016 US\$m	2015 US\$m	2014 US\$m
Cash flows from operating activities	<b>4,146</b>	4,298	3,967	4,089	3,285
Cash flows from investing activities	<b>(4,658)</b>	(3,975)	(2,063)	(3,200)	(2,234)
Net cash flow before financing	<b>(512)</b>	323	1,904	889	1,051
Cash flow per share from operating activities (US\$)	<b>11.02</b>	11.42	10.60	10.96	8.87

\*Figures in 2017 have been restated due to changes in accounting policies upon adoption of IFRS9 'Financial Instruments' and IFRS15 'Revenue from Contracts with Customers'. Figures prior to 2016 have been restated due to a change in accounting policy upon adoption of the amendments to IAS 16 and IAS 41 'Agriculture: Bearer Plants'.

## Responsibility Statement

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

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

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

For and on behalf of the Board

**Ben Keswick**

**John Witt**

*Directors*

28th February 2019

## Corporate Governance

Jardine Matheson Holdings Limited is incorporated in Bermuda. The majority of the Group's business interests are located in Greater China and Southeast Asia. The Company's equity shares have a standard listing on the Main Market of the London Stock Exchange, and secondary listings in Singapore and Bermuda. The Company's share capital is 58%-owned by Jardine Strategic Holdings Limited ('Jardine Strategic'), a Bermuda incorporated 84%-owned subsidiary of the Company similarly listed in London, Singapore and Bermuda. The Disclosure Guidance and Transparency Rules (the 'DTRs') issued by the Financial Conduct Authority of the United Kingdom (the 'FCA') require that this Report address all relevant information about the corporate governance practices applied beyond the requirements under Bermuda law.

The Company attaches importance to the corporate stability that is fundamental to the Group's ability to pursue a long-term strategy in its Asian markets. It is committed to high standards of governance based on its approach developed over many years.

### The Management of the Group

The Company is the parent company of the Jardine Matheson Group. Its management is therefore concerned both with the direct management of Jardine Matheson's own activities, and with the oversight of the operations of other listed companies within the wider Group.

The structural relationship between the Group companies is considered to be a key element to the Group's success. By coordinating objectives, establishing common values and standards and sharing experience, contacts and business relationships, the Group aims to optimise opportunities across the Asian countries in which it operates. The Company's system of governance is based on a well-trying approach to oversight and management, in which the individual subsidiaries and affiliates benefit from the Group's strategic guidance and professional expertise, while at the same time ensuring that the independence of their boards is respected and clear operational accountability rests with their executive management teams.

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

Operational management is delegated to the appropriate level, and coordination with the Group's listed subsidiaries is undertaken by the board of the Group management company, Jardine Matheson Limited ('JML'). The JML board meets regularly in Hong Kong and is chaired by the Chairman. It currently has five other members, whose names appear on page 140 of this Report, who include the Deputy Managing Director, the Group Finance Director, the Group Strategy Director and the Group General Counsel.

### The Board

The Company currently has a Board of 15 Directors. Their names and brief biographies appear on page 27 of this Report. The Board composition and operation provide stability, allowing the Company to take a long-term view as it seeks to grow its business and pursue investment opportunities.

Following the retirement of Sir Henry Keswick as Chairman on 31st December 2018, Ben Keswick now holds the positions of both Chairman and Managing Director.

The Board is focused on maintaining the success of the Group and concluded that the best way to achieve this objective was for Ben Keswick to be appointed as Chairman, while continuing his role as Managing Director.

The Chairman's role is to lead the Board as it oversees the Group's strategic and financial direction. Ben Keswick has been with the Group since 1998 and will provide stability and continuity in his role as Chairman through his detailed understanding of the Group and the markets in which it operates. The role of Managing Director, with the support of the Deputy Managing Director, is to implement the strategy set by the Board and to manage the Group's operations.

Ben Keswick has been a driving force behind the operational success of the Group since 2012 and the Board believes that it is important to its continued success that he remains in this role. The Board considers that there is a clear division of responsibilities at board level to ensure an appropriate balance of power and authority.

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

### **Directors' Appointment, Retirement, Remuneration and Service Contracts**

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

Each new Director is appointed by the Board and, in accordance with the Company's Bye-laws, each new Director so appointed is subject to retirement and reappointment at the first annual general meeting after appointment. Thereafter, Directors are subject to retirement by rotation under the Bye-laws whereby one-third of the Directors retire at the annual general meeting each year. These provisions apply to both executive and non-executive Directors, but the requirement to retire by rotation does not extend to the Chairman or Managing Director.

At the 2018 Annual General Meeting held on 10th May 2018, Dr Richard Lee retired and did not seek re-election. Julian Hui was appointed as a Director of the Company with effect from the end of the Annual General Meeting. Stuart Gulliver was appointed as a Director of the Company with effect from 1st January 2019. In accordance with Bye-Law 84, Mark Greenberg, Jeremy Parr, Lord Sassoon and Michael Wei Kuo Wu will retire by rotation at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election. In accordance with Bye-law 91, Stuart Gulliver and Julian Hui will also retire at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election. Mark Greenberg, Jeremy Parr and Lord Sassoon each has a service contract with a subsidiary of the Company that has a notice period of six months. Stuart Gulliver, Julian Hui and Michael Wei Kuo Wu do not have service contracts with the Company or its subsidiaries.

Sir Henry Keswick stepped down as Chairman of the Company on 31st December 2018 and was appointed Chairman Emeritus from that date. He was succeeded as Chairman by Ben Keswick, who retains his position as Managing Director.

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

Recommendations and decisions on remuneration and other benefits payable or made available to executive Directors result from consultations between the Chairman and the Managing Director as well as with other Directors as may be considered appropriate. Directors' fees which are payable to the Chairman and all other Directors (other than full-time salaried Directors) are decided upon by shareholders in general meeting as provided for by the Company's Bye-laws. A motion to increase the fees payable to Directors (other than full-time salaried Directors) to US\$65,000 each per annum and the fee for the Chairman to US\$90,000 per annum with effect from 1st January 2019 will be proposed at the forthcoming Annual General Meeting.

Certain Directors are discretionary objects under a trust created in 1947 (the '1947 Trust') which holds 35,915,991 ordinary shares in the Company representing 4.88% of the Company's issued share capital. Under the terms of the 1947 Trust, its income is to be distributed to senior executive officers and employees of the Company and its wholly-owned subsidiaries.

For the year ended 31st December 2018, the Directors received US\$70.0 million (2017: US\$64.4 million) in aggregate being distributions from the 1947 Trust of US\$57.5 million (2017: US\$49.8 million) and Directors' fees and employee benefits from the Group of US\$12.5 million (2017: US\$14.6 million). Directors' fees and employee benefits included US\$0.4 million (2017: US\$0.4 million) in Directors' fees, US\$9.7 million (2017: US\$11.5 million) in short-term employee benefits including salary, bonuses, accommodation and deemed benefits in kind, US\$1.2 million (2017: US\$1.3 million) in post-employment benefits and US\$1.2 million (2017: US\$1.4 million) in share-based payments. The information set out in this paragraph forms part of the audited financial statements.

Share-based long-term incentive plans have also been established to provide incentives for executive Directors and senior managers. Share options are granted at the then prevailing market prices and they normally vest on or after the third anniversary of the date of grant. Grants may be made in a number of instalments. Share options are not granted to non-executive Directors.

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

### **Audit Committee**

The Board has established an Audit Committee, the current members of which are Anthony Nightingale, Stuart Gulliver, Adam Keswick and Lord Sassoon; they have extensive knowledge of the Group but are not directly involved in operational management. The Company's Chairman and Managing Director, Deputy Managing Director, Group Finance Director, Group Strategy Director and Group General Counsel, together with representatives of the internal and external auditors, also attend the Audit Committee meetings by invitation. The Audit Committee meets and reports to the Board semi-annually.

Prior to completion and announcement of the half-year and year-end results, a review of the Company's financial information and any issues raised in connection with the preparation of the results, including the adoption of any new accounting policies, is undertaken by the Audit Committee with the executive management and a report is received from the external auditors. The external auditors also have access when necessary to the full Board and other senior executives, and to the boards of the Group's operating companies.

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

The terms of reference of the Audit Committee can be found on the Company's website at [www.jardines.com](http://www.jardines.com).

### **Risk Management and Internal Control**

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

Executive management oversees the implementation of the systems of internal control within the Group's operating companies, the responsibility for which rests with each company's board and its own executive management. The effectiveness of these systems is monitored by the internal audit function, which is independent of the operating companies, and by a series of audit committees or risk management and compliance committees that operate in each major business unit across the Group. The internal audit function also monitors the approach taken by the business units to risk. The findings of the internal audit function and recommendations for any corrective action required are reported to the relevant audit committee and, if appropriate, to the Audit Committee of the Company.

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

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

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

The principal risks and uncertainties facing the Company are set out on page 138.

## Directors' Responsibilities in respect of the Financial Statements

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

## Code of Conduct

The Group conducts business in a professional, ethical and even-handed manner. Its ethical standards are clearly set out in its Code of Conduct. The code requires that all Group companies comply with all laws of general application, all rules and regulations that are industry specific and proper standards of business conduct. The code prohibits the giving or receiving of illicit payments, and requires that all managers must be fully aware of their obligations under the code and establish procedures to ensure compliance at all levels within their organisations.

The code also encourages inclusion and diversity, and requires all employees to be treated fairly, impartially and with dignity and respect. As a multinational Group with a broad range of businesses operating primarily across East Asia and Southeast Asia, although with further interests elsewhere in the world, the Group believes in promoting equal opportunities in recruiting, developing and rewarding its people regardless of race, gender, nationality, religion, sexual orientation, disability, age or background. The scale and breadth of the Group's businesses necessitate that they seek the best people from the communities in which they operate most suited to their needs.

The Group has in place procedures by which employees can raise, in confidence, matters of serious concern in areas such as financial reporting or compliance.

## Directors' Share Interests

The Directors of the Company in office on 28th February 2019 had interests (within the meaning of the EU Market Abuse Regulation ('MAR'), which applies to the Company as it is listed on the London Stock Exchange) as set out below in the ordinary share capital of the Company. These interests included those notified to the Company in respect of the Directors' closely associated persons (as that term is used under MAR).

Ben Keswick	43,897,508 <sup>(a) (b) (c)</sup>
Y.K. Pang	388,000
Mark Greenberg	84,667
David Hsu	105,022
Adam Keswick	37,515,670 <sup>(a) (b)</sup>
Simon Keswick	2,784,565 <sup>(a) (c)</sup>
Anthony Nightingale	1,186,780
Percy Weatherall	37,629,754 <sup>(a) (b)</sup>

### Notes:

(a) Includes 1,950,004 ordinary shares held by a family trust, the trustees of which are closely associated persons of Ben Keswick, Adam Keswick, Simon Keswick and Percy Weatherall.

(b) Includes 32,516,565 ordinary shares held by family trusts, the trustee of which is a closely associated person of Ben Keswick, Adam Keswick and Percy Weatherall.

(c) Includes 336,778 ordinary shares held by a family trust, the trustee of which is a closely associated person of Ben Keswick and Simon Keswick.

In addition, Ben Keswick, Y.K. Pang, Mark Greenberg, David Hsu, Adam Keswick, Alex Newbigging, Jeremy Parr, Lord Sassoon and John Witt held options in respect of 190,000, 107,000, 90,000, 30,000, 50,000, 90,000, 50,000, 125,000 and 190,000 ordinary shares, respectively, issued pursuant to the Company's share-based long-term incentive plans.

## Substantial Shareholders

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

The Company has been informed of the holding of voting rights of 5% or more attaching to the Company's issued ordinary share capital by Jardine Strategic and its subsidiary undertakings which are directly and indirectly interested in 426,938,290 ordinary shares carrying 57.95% of the voting rights. Apart from this interest and the interests disclosed under 'Directors' Share Interests' above, the Company is not aware of any holders of voting rights of 5% or more attaching to the issued ordinary share capital of the Company as at 28th February 2019.

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

## Governance Principles

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

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

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



## Related Party Transactions

Details of transactions with related parties entered into by the Company during the course of the year are included in note 35 to the financial statements on page 97.

## Securities Purchase Arrangements

The Directors have the power under the Bermuda Companies Act and the Company's Memorandum of Association to purchase the Company's shares. Any shares so purchased shall be treated as cancelled and, therefore, reduce the issued share capital of the Company. The Board considers on a regular basis the possibility for share repurchases or the acquisition of further shares in Group companies, including shares in Jardine Strategic. When doing so, it considers the potential for the enhancement of earnings or asset values per share. When purchasing such shares, the Company is subject to the provisions of MAR.

During the year Jardine Strategic purchased a total of 1,623,050 ordinary shares of the Company in the market for an aggregate total cost of US\$99.5 million. The ordinary shares purchased represented some 0.22% of the Company's issued ordinary share capital. As the Company's interest in Jardine Strategic is over 50%, the share purchases by Jardine Strategic have been disclosed as if they were share repurchases, although the shares themselves are not required to be cancelled.

## Takeover Code

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

## Annual General Meeting

The 2019 Annual General Meeting will be held at Rosewood Bermuda on 9th May 2019. The full text of the resolutions and explanatory notes in respect of the meeting are contained in the Notice of Meeting which accompanies this Report. A corporate website is maintained containing a wide range of information of interest to investors at [www.jardines.com](http://www.jardines.com).

## Power to amend Bye-laws

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

## Principal Risks and Uncertainties

The Board has overall responsibility for risk management and internal control. The process by which the Group identifies and manages risk is set out in more detail on pages 134 to 135 of the Corporate Governance section of this Report. The following are the principal risks and uncertainties facing the Company as required to be disclosed pursuant to the Disclosure Guidance and Transparency Rules issued by the Financial Conduct Authority of the United Kingdom and are in addition to the matters referred to in the Chairman's Statement and Business Review.

### Economic Risk

Most of the Group's businesses are exposed to the risk of negative developments in global and regional economies and financial markets, either directly or through the impact such developments might have on the Group's joint venture partners, associates, franchisors, bankers, suppliers or customers. These developments could include recession, inflation, deflation, currency fluctuations, restrictions in the availability of credit, business failures, or increases in financing costs, oil prices or the cost of raw materials. Such developments might increase operating costs, reduce revenues, lower asset values or result in some or all of the Group's businesses being unable to meet their strategic objectives.

### Commercial Risk and Financial Risk

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

A number of the Group's businesses make significant investment decisions in respect of developments or projects and these are subject to market risks. This is especially the case where projects take time to come to fruition and achieve the desired returns.

The Group's businesses operate in sectors and regions which are highly competitive and evolving rapidly, and failure to compete effectively, whether in terms of price, tender terms, product specification, application of new technologies or levels of service, can have an adverse effect on earnings or market share. Significant pressure from such competition may also lead to reduced margins.

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

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

The steps taken by the Group to manage its exposure to financial risk are set out in the Financial Review on pages 25 to 26 and note 40 to the financial statements on pages 110 to 119.

### Concessions, Franchises and Key Contracts

A number of the Group's businesses and projects are reliant on concessions, franchises, management or other key contracts. Cancellation, expiry or termination, or the renegotiation of any such concession, franchise, management or other key contracts, could have an adverse effect on the financial condition and results of operations of certain subsidiaries, associates and joint ventures of the Group.

### Regulatory and Political Risk

The Group's businesses are subject to a number of regulatory regimes in the territories in which they operate. Changes in such regimes, in relation to matters such as foreign ownership of assets and businesses, exchange controls, planning controls, emission regulations, tax rules and employment legislation, could have the potential to impact the operations and profitability of the Group's businesses.

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

### Terrorism, Pandemic and Natural Disasters

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

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

# Shareholder Information

## Financial Calendar

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2018 full-year results announced	28th February 2019
Shares quoted ex-dividend	14th March 2019
Share registers closed	18th to 22nd March 2019
2018 final dividend scrip election period closes	18th April 2019
Annual General Meeting to be held	9th May 2019
2018 final dividend payable	15th May 2019
2019 half-year results to be announced	2nd August 2019*
Shares quoted ex-dividend	22nd August 2019*
Share registers to be closed	26th to 30th August 2019*
2019 interim dividend scrip election period closes	27th September 2019*
2019 interim dividend payable	17th October 2019*

\*Subject to change

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## Dividends

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

## Registrars and Transfer Agent

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

### Principal Registrar

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

### Jersey Branch Registrar

Link Market Services (Jersey) Limited  
12 Castle Street  
St Helier, Jersey JE2 3RT  
Channel Islands

### United Kingdom Transfer Agent

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

### Singapore Branch Registrar

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

Press releases and other financial information can be accessed through the internet at [www.jardines.com](http://www.jardines.com).

## Group Offices

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