



**Jardine Strategic**

**Jardine Strategic** Annual Report 2010



Jardine Strategic is a holding company with its principal interests in Jardine Matheson, Hongkong Land, Dairy Farm, Mandarin Oriental, Jardine Cycle & Carriage and Astra International. These companies are leaders in the fields of engineering and construction, transport services, insurance broking, property investment and development, retailing, restaurants, luxury hotels, motor vehicles and related activities, financial services, heavy equipment, mining and agribusiness. The Company also has a minority investment in Rothschilds Continuation, the global financial advisory group.

Jardine Strategic's policy is to take strategic stakes in multinational businesses, particularly those with an Asian focus, and to support their expansion. It also complements these interests with smaller positions in quality businesses with existing or potential links with the Group.

Jardine Strategic is incorporated in Bermuda and has a Premium Listing on the London Stock Exchange, with secondary listings in Bermuda and Singapore. Jardine Matheson Limited, which operates from Hong Kong, acts as General Manager to the Company and provides management services to the Group companies. It makes available senior management and provides financial, legal, human resources and treasury support services to the Group's subsidiary undertakings and associates.

#### **Jardine Strategic Holdings Limited**

Jardine House  
Hamilton  
Bermuda

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# Highlights

- Underlying earnings per share up 33%
- Excellent results from across the Group
- Significant increase in value of Hongkong Land's property portfolio

## Results

	2010 US\$m	2009 US\$m (restated*)	Change %
Gross revenue†	<b>46,963</b>	35,957	31
Revenue	<b>25,498</b>	18,905	35
Profit after tax	<b>7,609</b>	4,157	83
Underlying profit attributable to shareholders#	<b>1,439</b>	1,089	32
Profit attributable to shareholders	<b>3,535</b>	1,988	78
Total equity	<b>31,796</b>	24,962	27
Shareholders' funds	<b>16,350</b>	12,697	29
	US\$	US\$	%
Underlying earnings per share#	<b>2.32</b>	1.75	33
Earnings per share	<b>5.69</b>	3.20	78
Dividends per share	<b>0.21</b>	0.20	5
Net asset value per share+	<b>47.53</b>	32.64	46

\*The accounts have been restated due to changes in accounting policies as set out in note 1 to the financial statements.

†Includes 100% of revenue from Jardine Matheson, associates and joint ventures.

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

+Net asset value per share is calculated on a market value basis, details of which are set out on page 5.

# Chairman's Statement

## Overview

The strong markets in Asia have underpinned some excellent performances from the Group companies and have enabled the Company to report another fine result for 2010.

The contribution from Southeast Asia represented a greater proportion of the Group's underlying profit for the year, largely due to outstanding results from Astra in Indonesia.

## Performance

Jardine Strategic produced a record underlying profit in 2010 of US\$1,439 million, an increase of 32%. Underlying earnings per share were 33% higher at US\$2.32. The significant improvement benefited from comparison with a relatively weak first half in 2009. The Group's revenue in 2010, including 100% of Jardine Matheson, associates and joint ventures, was US\$47 billion, compared with US\$36 billion in 2009.

Within Jardine Matheson's interests, Jardine Pacific saw good performances across its operations, leading to another record profit, while a strong first half enabled Jardine Motors also to produce an excellent result. Jardine Lloyd Thompson continued to progress well.

Hongkong Land's impressive result included notable gains on completion of residential development projects, while

Dairy Farm achieved higher earnings in most of its banners. Mandarin Oriental saw profits start to recover following improvements in occupancy and room rates. Jardine Cycle & Carriage's earnings reflected the record results achieved by Astra, enhanced on translation by the strength of the rupiah.

Non-trading items in 2010 primarily consisted of the Group's share of the increase in the valuation of investment properties, including US\$1,990 million from Hongkong Land and US\$10 million from Jardine Pacific, and a US\$87 million share of the increase in the fair value of Astra's plantations recognized within Jardine Cycle & Carriage. Accounting standards require these revaluations to be taken through the profit and loss account. The result was a profit attributable to shareholders for 2010 of US\$3,535 million, compared with US\$1,988 million in 2009. Following a change in accounting standards, the Group is no longer required to provide for deferred tax on valuation gains on which no such tax liability would arise.

The Group enjoys strong operating cash flows, ample committed facilities and ready access to capital markets. Capital investment by the Group, on a consolidated basis, amounted to US\$1.8 billion in 2010.

The consolidated net debt at the end of 2010, excluding financial services companies, was US\$2.3 billion, representing gearing of 7%.

The Board is recommending a final dividend of US\$15.00 per share, an overall increase of 5% for the full year.

### **Business Developments**

Within Jardine Matheson, Jardine Pacific's earnings reflected both organic growth and expansion within its existing business portfolio. Developments included an increased shareholding in air cargo terminal operator HACTL, significant new infrastructure contracts won by Gammon, the growth of its Restaurants group in Taiwan and Vietnam through acquisitions, and the recent purchase by JOS of an IT distribution business. Jardine Motors continued to grow profitably in Southern China where it now has 17 outlets, with a further five under development. Jardine Lloyd Thompson's earnings benefited from the investment made in its traditional and emerging markets businesses through acquisitions, the recruitment of professionals and system upgrades.

Hongkong Land's commercial property activities in Hong Kong and Singapore performed well in 2010 and the company continued to build its residential development portfolio

with the emphasis on Singapore and mainland China. In February 2011, it completed the privatization of its subsidiary, MCL Land, a Singapore residential property developer. The reduced number of residential development completions scheduled for 2011 will result in a lower contribution to Hongkong Land's earnings from this sector than in recent years.

Dairy Farm produced a satisfactory increase in earnings, ending the year with strong finances and leading positions for its main formats in their respective market segments. Expansion continued in 2010 with the total number of outlets increasing by 6% to 5,386. The group plans to invest further in the development of hypermarkets and supermarkets, particularly in Indonesia and Malaysia, and in the refurbishment of its existing store networks.

Despite the recent challenging market conditions, Mandarin Oriental's growth strategy remains on track. Last year the group announced three additional hotel development projects; new properties in Abu Dhabi and Doha will mark the group's entry into the Middle East when they open in 2014, while a new hotel in Shanghai, opening in 2013, will be its fourth hotel in mainland China. This year Mandarin Oriental will also add a hotel in Paris.

Astra benefited from the 6% growth of the Indonesian economy in 2010 and robust market conditions. Good performances from its automotive, financial services and heavy equipment activities enabled the group to achieve a record profit for the year. Its rate of growth, however, is expected to moderate in 2011.

### **Outlook**

After an outstanding performance in 2010 growth will be harder to achieve in the current year, due largely to the reduced number of residential project completions planned by Hongkong Land. Nevertheless, the Group's businesses are continuing to invest in their strong market positions. The steady earnings growth and low levels of net debt achieved in recent years provide a sound financial base on which to support this development.

### **Sir Henry Keswick**

*Chairman*

4th March 2011

## Jardine Strategic

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A listed property group with some 450,000 sq. m. of prime commercial property in central Hong Kong and further high quality commercial and residential developments in Asia. (50%)



A listed pan-Asian retail group operating over 5,300 outlets, including supermarkets, hypermarkets, health and beauty stores, convenience stores, home furnishings stores and restaurants. (78%)



A listed hotel investment and management group with a portfolio of 42 deluxe and first class hotels and resorts worldwide, including 16 under development. (74%)



An unlisted holding company, Rothschilds Continuation has various interests, including global financial advisory, wealth management and trusts. (21%)



A Singapore-listed company with an interest of just over 50% in Astra, a major listed Indonesian conglomerate, and other motor interests in Southeast Asia. (70%)



The largest Indonesian motor group, manufacturing, assembling and distributing motor vehicles, motorcycles and components in partnership with industry leaders such as Toyota, Daihatsu and Honda.

Astra's financial services businesses consist of consumer finance (principally motor vehicle and motorcycle), insurance and Bank Permata.

Astra's other interests include oil palm plantations, heavy equipment and mining, infrastructure and logistics, and information technology.

(Figures in brackets show effective ownership by Jardine Strategic as at 4th March 2011.)

## Jardine Matheson

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An Asian-based conglomerate with a portfolio of interests in leading businesses, held in part through its 81% stake in Jardine Strategic. (54%)



A holding company with a select portfolio representing many of the Group's non-listed Asian businesses, principally in engineering and construction, transport services, restaurants and IT services. (100%)



A group engaged in the sales and service of motor vehicles in Hong Kong, Macau and the United Kingdom, and with a large and growing presence in Southern China. (100%)



A leading listed insurance and reinsurance broker, risk specialist and employee benefits consultant, combining specialist skills in the London insurance market with an international network. (32%)

(Figures in brackets show effective ownership by Jardine Matheson as at 4th March 2011.)

# Profit and Net Assets Analysis

## Underlying Profit and Shareholders' Funds

	Underlying profit attributable to shareholders				Shareholders' funds			
	2010		2009		2010		2009	
	US\$m	%	US\$m	%	US\$m	%	US\$m	%
Jardine Matheson*	187	12	125	11	1,177	7	972	8
Hongkong Land	408	26	387	33	9,865	61	7,468	59
Dairy Farm	319	21	283	24	794	5	624	5
Mandarin Oriental	33	2	7	1	739	5	751	6
Jardine Cycle & Carriage	39	2	40	3	235	1	202	2
Astra	537	35	329	28	2,518	16	1,956	15
Other holdings	30	2	(1)	–	763	5	662	5
	1,553	100	1,170	100	16,091	100	12,635	100
Corporate	(114)		(81)		259		62	
	1,439		1,089		16,350		12,697	

\*Excluding Jardine Strategic and its subsidiary undertakings and associates.

## Market Value Basis Net Assets<sup>†</sup>

	2010		2009	
	US\$m	%	US\$m	%
Jardine Matheson	1,822	6	1,830	9
Hongkong Land	8,245	29	5,567	28
Dairy Farm	9,751	33	6,287	31
Mandarin Oriental	1,526	5	1,095	5
Jardine Cycle & Carriage	7,104	24	4,743	24
Other holdings	839	3	690	3
	29,287	100	20,212	100
Jardine Strategic Corporate	256		84	
	29,543		20,296	
Net asset value per share (US\$) <sup>#</sup>	47.53		32.64	

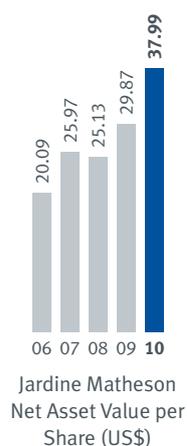
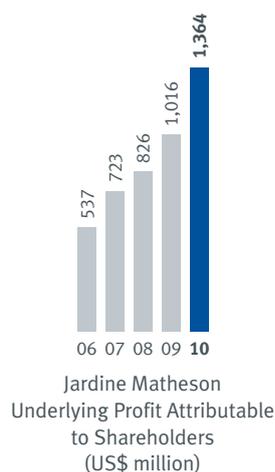
<sup>†</sup>Market value basis net assets<sup>†</sup> are calculated based on the market price of the Company's holdings for listed companies, with the exception of the holding in Jardine Matheson which has been calculated by reference to the market value of US\$15,494 million (2009: US\$10,371 million) less the Company's share of the market value of Jardine Matheson's interest in the Company. For unlisted companies a Directors' valuation has been used.

<sup>#</sup>Net asset value per share is calculated on 'market value basis net assets' of US\$29,543 million (2009: US\$20,296 million) and on 622 million (2009: 622 million) shares outstanding at the year end which excludes the Company's share of the shares held by Jardine Matheson of 493 million (2009: 485 million) shares.

# Operating Review

**Jardine Matheson** is a holding company with extensive operations in trading and services through Jardine Pacific; sales and service of motor vehicles through Jardine Motors; and insurance and reinsurance broking, risk management and employee benefit services through Jardine Lloyd Thompson. Through its holding in Jardine Strategic it has interests in the other Group companies.

	2010	2009	Change (%)
Revenue (US\$ billion)	30.1	22.5	34
Underlying profit attributable to shareholders (US\$ million)	1,364	1,016	34
Underlying earnings per share (US\$)	3.80	2.86	33
Net asset value per share (US\$)	37.99	29.87	27



Jardine Matheson achieved a record underlying profit of US\$1,364 million in 2010, an increase of 34%.

Underlying earnings per share rose 33% to US\$3.80. Jardine Matheson's profit attributable to shareholders of US\$3,084 million reflected the increased investment property values and additional non-trading items. Shareholders' funds increased by 28% to US\$13.7 billion.

### Jardine Pacific

Jardine Pacific's underlying profit rose 31% to US\$156 million in 2010 as most of its businesses enjoyed stronger trading conditions. A gain of US\$18 million arising on the revaluation of investment properties, together with gains from disposals, contributed to a profit attributable to shareholders of US\$182 million, up from US\$156 million in 2009. Shareholders' funds were US\$599 million at the end of 2010, and the underlying return on average shareholders' funds was 30%.

Gammon's contribution to underlying profit was down slightly at US\$21 million, although its order book rose 30% to US\$3 billion. Jardine Schindler and JEC both traded well in 2010. Hong Kong Air Cargo Terminals recorded a substantially higher contribution of US\$52 million as improvement in cargo throughput was augmented by an increase in the group's shareholding to 42%. Jardine Aviation Services and Jardine Shipping Services benefited from increased activity. Jardine Restaurants' results included an encouraging first contribution from the KFC business in Taiwan. JOS produced increased earnings as consumer markets grew.

### Jardine Motors

Jardine Motors produced an underlying profit in 2010 of US\$87 million, up 66%, as its businesses in Hong Kong and, in particular, mainland China enjoyed much improved trading conditions. Profit attributable to shareholders was also US\$87 million, compared with US\$64 million in 2009.

A higher contribution from Zung Fu in Hong Kong and Macau resulted from an increase in deliveries of Mercedes-Benz passenger cars.

There was also a good contribution from aftersales and commercial vehicle activities. The group continued to grow profitably in Southern China where new car deliveries rose from 9,200 units to over 15,600. Despite difficult trading conditions for dealerships in the United Kingdom, the business recorded an improved underlying profit, which included gains on two property disposals.

#### **Jardine Lloyd Thompson**

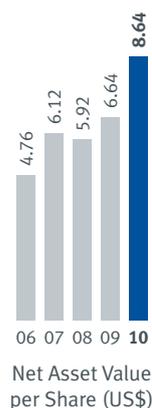
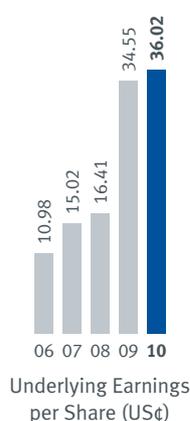
Jardine Lloyd Thompson produced a very good performance in 2010, notwithstanding the continued soft rating environment and low interest rates. Total revenue rose to US\$1,152 million, an increase of 21% in the company's reporting currency, reflecting above market growth and the benefit of acquisitions. Underlying profit before tax was US\$201 million, an increase of 24% in its reporting

currency. Including a significant tax credit, the company's contribution to the Group's underlying profit rose 34%.

Jardine Lloyd Thompson's Risk & Insurance group, comprising its worldwide retail operations and its specialist, mainly London-based, insurance, wholesale and reinsurance broking, produced growth of 17% in revenue and 31% in underlying trading profit, with an increased trading margin of 22%. The group's Latin American and Asian activities recorded particularly encouraging results. The Employee Benefits business also had a successful year, with revenue increasing by 46% and a trading margin of 17%, up from 16% in the prior year, while the recently formed underwriting and distribution business, Thistle Insurance Services, made a satisfactory start. The company's ongoing business transformation project has exceeded expectations and is delivering notable cost and efficiency improvements.

**Hongkong Land** is a major listed group with some 450,000 sq. m. of prime commercial property in the heart of Hong Kong. The group also develops high quality commercial and residential projects in other cities in the Region.

	2010	2009	Change (%)
Underlying profit attributable to shareholders (US\$ million)	<b>810</b>	777	4
Net asset value per share (US\$)	<b>8.64</b>	6.64	30



Market conditions remained favourable for Hongkong Land's commercial property interests in 2010, and its results also benefited from the recognition of profits on residential completions. Underlying profit was up 4% at US\$810 million. Taking into account the increase in the value of investment properties, profit attributable to shareholders was US\$4,739 million, compared with US\$1,813 million in 2009, while net asset value per share rose 30%.

Steady demand in the group's Hong Kong Central district portfolio enabled rental levels achieved on reversions to be maintained. Vacancy at the year end was just 2.9%. In Singapore, market conditions began to improve in the second half of the year. The first two office towers were completed at Marina Bay Financial Centre, in which the group has a one-third interest, while completion of the final tower, which is 66% pre-let, will follow in 2012.

MCL Land recognized profits on two residential projects in Singapore, while the successful launch of The Estuary, completing in 2013, enabled

the reversal of a US\$39 million write down previously made. The first residential tower at Marina Bay, which had been fully sold, was completed and the group benefited from the profit attributable to its one-third interest. A second tower will complete in 2013.

Profits were also recognized on Hongkong Land's residential developments in Hong Kong and Macau. In mainland China, profits were recorded from residential projects in Beijing and Chongqing. The company recently acquired in joint venture a 190,000 sq. m. development site in the Jinjiang District of Chengdu, as well as a 386,000 sq. m. site in Chongqing (its first wholly-owned project on the Mainland) and increased its interest in a joint venture in Shenyang from 30% to 50%.

In August 2010, the company announced its intention to privatize its 77%-owned Singapore-listed affiliate, MCL Land. An accompanying exit offer was made to the minority shareholders, and the privatization was completed in early 2011.

**Dairy Farm** is a leading pan-Asian retailer. The listed group, together with its associates and joint ventures, operates over 5,300 outlets – including supermarkets, hypermarkets, health and beauty stores, convenience stores, home furnishings stores and restaurants.

	2010	2009	Change (%)
Gross revenue* (US\$ billion)	9.1	8.1	13
Underlying profit attributable to shareholders (US\$ million)	410	364	13

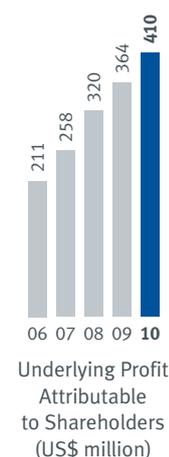
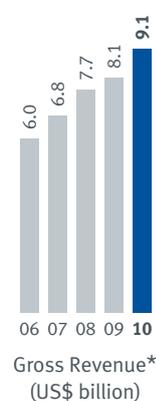
\*Includes 100% of revenue from associates.

Dairy Farm produced another good performance in 2010, with sales, including 100% of associates, increasing by 13% to US\$9.1 billion and underlying profit rising 13% to US\$410 million. Favourable exchange movements enhanced both sales and profit by some 5%. Profit attributable to shareholders for the year was US\$411 million, 13% higher.

There were mixed performances from the group's activities in North Asia. In Hong Kong, its health and beauty and IKEA operations achieved excellent results and its supermarket chain traded reasonably, but 7-Eleven had a more difficult year. In Taiwan, IKEA improved its profitability further, but earnings from supermarkets declined. The 7-Eleven stores in Southern China faced further challenges, although the business stabilized in the second half. The expansion of the Mannings

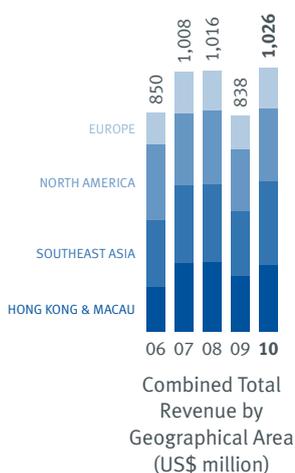
health and beauty business on the Mainland continued with the network now standing at 163 outlets. Restaurant associate, Maxim's, had a fine year with good performances from all its operations in Hong Kong, while its expansion of various formats in mainland China is progressing well.

A buoyant economy in Singapore enabled Dairy Farm to achieve further growth in sales and trading profit. The group's operations in Malaysia performed well, with an excellent contribution from the Guardian health and beauty stores. In Indonesia, sales and profits continue to improve as both hypermarkets and supermarkets made progress. In its joint ventures in India, the health and beauty chain is trading profitably while in the supermarket business operating losses have been reduced.



**Mandarin Oriental** is a hotel investment and management group. It has a portfolio of 42 deluxe and first class hotels and resorts worldwide, including 16 under development, and has ‘Residences’ connected to a number of its properties. The listed company holds equity in selected hotels.

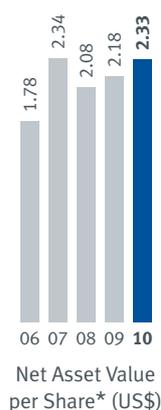
	2010 US\$m	2009 US\$m	Change %
Combined total revenue of hotels under management	<b>1,026</b>	838	22
Underlying profit attributable to shareholders	<b>44</b>	12	255



Improved economic conditions resulted in increased demand for most of Mandarin Oriental’s hotels. Its strongest performances were seen in Asia, particularly Hong Kong and Singapore. Underlying profit rose to US\$44 million in 2010, up from US\$12 million. There were no non-trading items in 2010, while the profit attributable to shareholders in the prior year of US\$83 million included a gain from a property disposal.

new projects were announced, comprising two in the Middle East and one in mainland China, while a project in the United States will now not proceed. A new hotel was opened in Macau in June 2010 under a long-term management contract with a Hongkong Land joint venture, and residences at the property have also been launched. There are now a total of 13 ‘Residences at Mandarin Oriental’ projects open or under development from which the group will benefit from branding fees over the next few years.

The group has a total of 26 hotels in operation, with a further 16 under development. During 2010, three



\*With freehold and leasehold properties at valuation

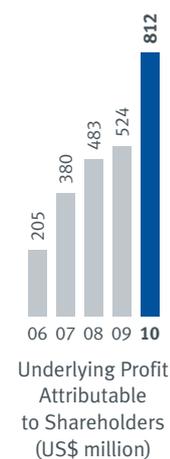
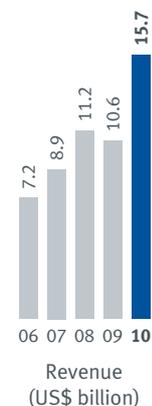
**Jardine Cycle & Carriage** is a Singapore-listed company with an interest of just over 50% in Astra, a major listed Indonesian conglomerate, and other motor interests in Southeast Asia.

	2010	2009	Change (%)
Revenue (US\$ billion)	<b>15.7</b>	10.6	47
Underlying profit attributable to shareholders (US\$ million)	<b>812</b>	524	55
Shareholders' funds (US\$ million)	<b>3,743</b>	2,911	29

Jardine Cycle & Carriage produced an excellent result in 2010 with underlying profit up 55% at US\$812 million. Its profit attributable to shareholders of US\$944 million included a non-trading gain of US\$132 million, which arose mainly on the revaluation of Astra's oil palm plantations, compared with a non-trading loss of US\$12 million in 2009. Astra enjoyed improved performances from most of its major businesses. Its contribution to the underlying profit of Jardine Cycle & Carriage, up 62% to US\$798 million, also reflected a stronger rupiah.

The underlying profit contribution from the group's other motor interests was 5% lower at US\$56 million. This was mainly due to reduced

earnings in Singapore following restrictions in the government quota for new vehicle sales. Cycle & Carriage Bintang in Malaysia, which reported improved earnings on higher sales, is in the process of acquiring a small Mercedes-Benz dealership in Penang. In Indonesia, Tunas Ridean benefited from the good market. Truong Hai Auto Corporation made a lower contribution, but did well to increase its market share in the face of difficult trading conditions in Vietnam.



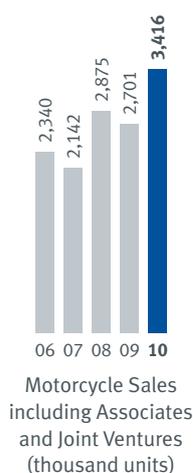
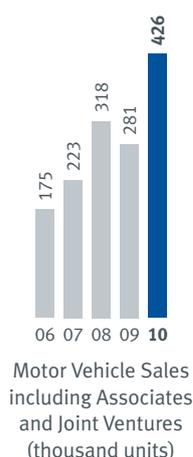
**Astra** is a listed diversified Indonesian group with interests in the automotive sector, financial services, oil palm plantations, heavy equipment and mining, infrastructure and logistics, and information technology.

	2010	2009	Change* (%)
Gross revenue† (US\$ billion)	22.9	15.3	32
Profit attributable to shareholders# (US\$ million)	1,582	969	43
Shareholders' funds# (US\$ million)	5,484	4,244	24

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

†Includes 100% of revenue from associates and joint ventures.

#Reported under Indonesian GAAP.



Astra performed extremely well overall in 2010, achieving a record profit with improved contributions from all its businesses except contract mining. It produced a record net profit under Indonesian accounting standards of Rp14.4 trillion, up 43%, equivalent to US\$1.6 billion.

The Indonesian wholesale market for motor vehicles experienced 57% growth, with Astra's sales increasing by 52% to 426,000 units. The group's market share declined slightly to 56%. The wholesale market for motorcycles also grew strongly, up 26%, and Astra Honda Motor did well to maintain its leading position selling 3.4 million units with a market share of 46%. Astra Otoparts reported a 49% increase in profits, supported by the strong demand for its products.

Earnings of Astra's consumer finance operations benefited from growth in their overall loan books, stable interest margins and liquidity in the banking sector. In December 2010, the group completed the acquisition of the 47% of Astra Sedaya Finance it did not already own. Bank Permata's

reported profit doubled in the positive economic environment. In the last quarter, the bank enhanced its capital adequacy ratio through a rights issue and also completed the acquisition of a domestic credit card issuer, GE Finance Indonesia.

United Tractors' results were little changed, despite a 74% increase in Komatsu equipment sales, owing to lower income from its contract coal mining subsidiary, Pamapersada Nusantara. Coal production increased by 14% to 78 million tonnes and overburden removal by 9% to 651 million bcm, but the results were adversely impacted by poor weather conditions and the weaker US dollar. Astra Agro Lestari's profit improved by 21% due to higher palm oil prices and production gains.

Elsewhere, there were increased contributions from Astra's infrastructure and logistics businesses as well as Astra Graphia, which is the sole distributor of Fuji Xerox equipment in Indonesia and is active in information technology.

## Further Interests

### **Rothschilds Continuation**

Rothschilds Continuation, in which the Company holds a 21% interest, is the holding company of an independent global financial advisory group with 49 offices in 36 countries worldwide. The company's performance has seen improvement over the last year as conditions in the financial markets stabilized.

### **Other**

ACLEDA Bank of Cambodia, in which the Company purchased a 12% stake early last year, achieved its highest annual profit in 2010 and enters 2011 with expectations of further profit growth. By contrast, Asia Commercial Bank, 7% held, faced headwinds in Vietnam as the country sought to restore balanced growth while containing inflation. In India, Tata Power continued to focus on the construction and completion of its large generation projects supported by stable Indian utility earnings and improving returns from its Indonesian coal investments. The Company has a 3% investment.

### **Anthony Nightingale**

*Managing Director*

4th March 2011

# Financial Review

## 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 2010, the Group adopted or early adopted a number of amendments to these standards. This has resulted in the Group changing its accounting policies on the provision for deferred tax on revaluation of investment properties and the classification of long-term interests in leasehold land.

The Group has early adopted, with effect from 1st January 2010, the amendments to International Accounting Standard ('IAS') 12 'Deferred Tax: Recovery of Underlying Assets'. The effect of this is that the Group is no longer required to provide for deferred tax on the revaluation in excess of cost of its investment properties in Hong Kong and Singapore where capital gains are not subject to taxes. Previously deferred tax on the revaluation of investment properties was provided at the income tax rates.

Pursuant to IAS 17 (amendment) 'Leases', which became effective in 2010, certain long-term interests in leasehold land have now been classified as finance leases and grouped under tangible assets. Previously, all of the Group's leasehold land was included under land use rights in intangible assets and stated at cost less accumulated amortization.

## Summarized Cash Flow

	2010 US\$m	2009 US\$m
Operating cash flow of subsidiary undertakings	1,428	2,172
Dividends from associates and joint ventures	606	301
Operating activities	2,034	2,473
Capital expenditure and investments	(1,366)	(127)
Cash flow before financing	668	2,346

Additionally, to align the policy on measurement of owner-occupied properties with prevailing industry practice, the Group has changed its accounting policy for owner-occupied properties, including hotel properties, to carry these assets at amortized cost. Previously the Group's freehold land and buildings, and the building component of owner-occupied leasehold properties were stated at valuation.

The above changes in accounting policies have been applied retrospectively. Further information on the changes, including the financial effects, is disclosed in note 1 to the financial statements.

## Results

In 2010, revenue increased by 35% to US\$25.5 billion. Gross revenue, including 100% of revenue from associates and joint ventures which is a better measure of the extent of the Group's operations, increased 31% to US\$47.0 billion.

Underlying operating profit was US\$3,147 million, an increase of US\$892 million or 40%. This reflected increased contribution from most of the businesses, in particular increases of US\$436 million from Astra on strong performances from automotive, heavy equipment and financial services; US\$404 million from Hongkong Land due to its results first being consolidated from the second half of 2009; and US\$45 million from Dairy Farm with strong sales growth in Malaysia and Indonesia.

The overall operating profit of US\$6,779 million included a number of non-trading items, among which were increases in the fair value of investment properties in Hongkong Land and the fair value of Astra's plantations. The equivalent figure for 2009 included an increase in the fair value of investment properties in Hongkong Land in the second half of the year and a profit on the disposal of the Group's interest in Tata Industries, partly offset by a decrease in the fair value of Astra's plantations.

Net financing charges increased over 2009 primarily due to the consolidation of Hongkong Land. Interest cover, however, remained strong at 35 times, calculated as the underlying operating profit, including the share of results of Jardine Matheson and associates and joint ventures, divided by net financing charges.

The underlying profit contribution from Jardine Matheson rose by 50% to US\$187 million following an increase of US\$21 million from Jardine Pacific due to higher throughput and an increase in attributable interest in HACTL, and an increase of US\$19 million from Jardine Motors on higher deliveries in all of its markets. The contribution to profit attributable to shareholders was increased due to a rise in the fair value of Jardine Pacific's investment properties.

The Group's share of underlying results of associates and joint ventures increased by 37% to US\$807 million, despite the equity accounting of Hongkong Land's results for the first six months of 2009. This was due to higher contributions from the associates and joint ventures of Astra and Dairy Farm. The contribution to profit attributable to shareholders from the Group's associates and joint ventures included a number of non-trading items, among which were increases in the fair value of investment properties held by Hongkong Land's associates and joint ventures.

The underlying effective tax rate for the year was 23%, compared with 26% in 2009. The decrease in effective tax rate was caused by a change in the geographic mix of the Group's profitability and a reduction in the income tax rate in Indonesia.

Underlying earnings per share increased by 33% to US\$2.32. The growth of US\$350 million in underlying earnings was due to increased contributions from most businesses, in particular increases of US\$62 million from Jardine Matheson; US\$36 million from Dairy Farm; US\$26 million from Mandarin Oriental; and US\$208 million from Astra.

The profit attributable to shareholders for the year of US\$3,535 million included the surplus of US\$2,000 million on the revaluation of investment properties in Hongkong Land and Jardine Pacific, and an increase of US\$87 million in the fair value of Astra's plantations. Earnings per share were US\$5.69, an increase of 78%.

### **Dividends**

The Board is recommending a final dividend of US\$0.15 per share, giving a total dividend of US\$0.21 per share for the year, payable on 18th May 2011 to those persons registered as shareholders on 18th March 2011. The dividends are payable in cash with a scrip alternative.

### **Cash Flow**

The cash inflow from operating activities for the year was US\$2,034 million. This represented a decrease of US\$439 million on 2009 principally due to higher working capital in Astra. Capital expenditure for the year before disposals amounted to US\$1,835 million. This included US\$227 million for the purchase of associates, joint ventures and others, which included US\$80 million for an additional 20% interest in the Shenyang joint venture in Hongkong Land and US\$98 million for the subscription to Bank Permata's rights issue in Astra; US\$231 million for the purchase of other investments, mainly in Astra and the Company; US\$156 million for the purchase of intangible assets, which included US\$21 million for project development costs in Mandarin Oriental, US\$60 million for the purchase of leasehold land and US\$33 million of commissions for securing insurance contracts in Astra; US\$833 million for the purchase of tangible assets, which included US\$211 million in Dairy Farm and US\$537 million in Astra; US\$87 million for the additions to plantations in Astra; and US\$220 million of advances to associates and joint ventures, mainly in Hongkong Land. The repayment from associates and joint ventures in Hongkong Land and sale of other investments in Astra contributed US\$275 million and US\$110 million, respectively, to the Group's cash flow.

### Funding

At the year end, undrawn committed facilities totaled US\$3.9 billion. In addition, the Group had available liquid funds of US\$3.9 billion. Net borrowings, excluding those relating to Astra's financial services companies, were US\$2.3 billion, representing 7% of total equity. Astra's financial services companies had net borrowings of US\$2.4 billion, US\$0.9 billion up from 2009 as their overall loan book grew. The Group's total equity increased by US\$6.8 billion to US\$31.8 billion during the year.

The average tenor of the Group's debt at 31st December 2010 was 4.3 years compared with 3.2 years at the end of 2009. US dollar denominated borrowings comprised 17% of the Group's total borrowings. Non-US dollar denominated borrowings are directly related to the Group's businesses in the countries of the currencies concerned. As at 31st December 2010 approximately 43% of the Group's borrowings, exclusive of financial services companies, were at floating rates and the remaining 57% were covered by interest rate hedges with major creditworthy financial institutions.

Overall, the Group's funding arrangements are designed to keep an appropriate balance between equity and debt, both short and long term, to give flexibility to develop the business.

### Treasury Policy

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

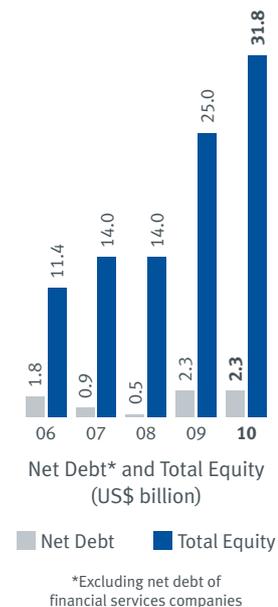
### Principal Risks and Uncertainties

A review of the principal risks and uncertainties facing the Group is set out on page 98.

### James Riley

*Chief Financial Officer*

4th March 2011



# Directors' Profiles

## **Sir Henry Keswick\***

### *Chairman*

Sir Henry joined the Board in 1988 and became Chairman in 1989. He is chairman of Jardine Matheson, having first joined the group in 1961, and is a director of Dairy Farm, Hongkong Land, Mandarin Oriental and Rothschilds Continuation. He is also vice chairman of the Hong Kong Association.

## **A.J.L. Nightingale\***

### *Managing Director*

Mr Nightingale was appointed as Managing Director in 2006. He has served in a number of executive positions since joining the Jardine Matheson group in 1969. He is chairman of Jardine Cycle & Carriage, Jardine Matheson Limited, Jardine Motors and Jardine Pacific, and a commissioner of Astra. He is also managing director of Dairy Farm, Hongkong Land, Jardine Matheson and Mandarin Oriental. Mr Nightingale is chairman of the Business Facilitation Advisory Committee established by the Financial Secretary in Hong Kong, a member of the Commission on Strategic Development, a member of the Committee on Strategic Enhancement of Hong Kong as an International Financial Centre, a vice president of The Real Estate Developers Association of Hong Kong, a council member of the Employers' Federation of Hong Kong, a Hong Kong representative to the APEC Business Advisory Council and a member of Chongqing Mayor's International Economic Advisory Council. He is also chairman of The Sailors Home and Missions to Seamen in Hong Kong.

## **Charles Allen-Jones**

Mr Allen-Jones joined the Board in 2008. He was formerly senior partner of Linklaters, where he had been a partner for 33 years until 2001. Mr Allen-Jones is a non-executive director of Hongkong Land and Caledonia Investments, a member of the Financial Reporting Review Panel and vice chairman of the Council of the Royal College of Art.

## **Jenkin Hui**

Mr Hui was appointed a Director in 1999. He is a director of Hongkong Land, Jardine Matheson, Central Development and a number of property and investment companies.

## **Simon Keswick\***

Mr Simon Keswick joined the Board in 1986. He joined the Jardine Matheson group in 1962 and is chairman of Dairy Farm, Hongkong Land and Mandarin Oriental, and a director of Jardine Lloyd Thompson and Jardine Matheson.

## **Dr George C.G. Koo**

Dr Koo, a Fellow of the Royal College of Surgeons, joined the Board in 1996. He is the founder and managing director of the Hong Kong Lithotripter Centre and a member of the Political Consultative Committee of Chekiang Province of the People's Republic of China. He is also a director of Dairy Farm.

## **R.C. Kwok**

Mr Kwok is a Chartered Accountant and joined the Board in 1987. He joined the Jardine Matheson group in 1964 and is a director of Jardine Matheson Limited, Dairy Farm, Hongkong Land, Jardine Matheson and Mandarin Oriental.

## **Lord Leach of Fairford\***

Lord Leach joined the Board in 1987. He joined the Jardine Matheson group in 1983 after a career in banking and merchant banking. He is deputy chairman of Jardine Lloyd Thompson, and a director of Dairy Farm, Hongkong Land, Jardine Matheson, Mandarin Oriental and Rothschilds Continuation.

## **Percy Weatherall**

Mr Weatherall was Managing Director of the Company from 2000 to 2006. He held a number of senior positions since first joining the Jardine Matheson group in 1976 until his retirement from executive office in 2006. He is also a director of Dairy Farm, Hongkong Land, Jardine Matheson and Mandarin Oriental. He is chairman of Corney and Barrow.

\*Executive Director

## **Company Secretary and Registered Office**

John C. Lang  
Jardine House, 33-35 Reid Street  
Hamilton  
Bermuda

# Consolidated Profit and Loss Account

for the year ended 31st December 2010

	Note	2010			2009		
		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	5	25,498	–	25,498	18,905	–	18,905
Net operating costs	6	(22,351)	434	(21,917)	(16,650)	61	(16,589)
Change in fair value of investment properties		–	3,198	3,198	–	1,888	1,888
Operating profit		3,147	3,632	6,779	2,255	1,949	4,204
Net financing charges	7						
– financing charges		(217)	–	(217)	(157)	–	(157)
– financing income		99	–	99	93	–	93
		(118)	–	(118)	(64)	–	(64)
Share of results of Jardine Matheson	8	187	12	199	125	26	151
Share of results of associates and joint ventures	9						
– before change in fair value of investment properties		807	11	818	587	53	640
– change in fair value of investment properties		–	731	731	–	(431)	(431)
		807	742	1,549	587	(378)	209
Net discount on acquisition of Hongkong Land	10	–	–	–	–	145	145
Sale of associates and joint ventures	11	–	3	3	–	79	79
Profit before tax		4,023	4,389	8,412	2,903	1,821	4,724
Tax	12	(697)	(106)	(803)	(561)	(6)	(567)
Profit after tax		3,326	4,283	7,609	2,342	1,815	4,157
Attributable to:							
Shareholders of the Company	13 & 14	1,439	2,096	3,535	1,089	899	1,988
Minority interests		1,887	2,187	4,074	1,253	916	2,169
		3,326	4,283	7,609	2,342	1,815	4,157
		US\$		US\$	US\$		US\$
Earnings per share	13						
– basic		2.32		5.69	1.75		3.20
– diluted		2.30		5.54	1.74		3.15

# Consolidated Statement of Comprehensive Income

for the year ended 31st December 2010

	2010 US\$m	2009 US\$m (restated)
	<i>Note</i>	
Profit for the year	<b>7,609</b>	4,157
Revaluation of other investments		
– net gain arising during the year	21 <b>67</b>	160
– transfer to profit and loss	<b>(13)</b>	(131)
	<b>54</b>	29
Net actuarial gain on employee benefit plans	<b>17</b>	23
Net exchange translation differences		
– gains arising during the year	<b>218</b>	630
– transfer to profit and loss	<b>–</b>	(63)
	<b>218</b>	567
Cash flow hedges		
– net loss arising during the year	<b>(7)</b>	(15)
– transfer to profit and loss	<b>7</b>	(5)
	<b>–</b>	(20)
Share of other comprehensive income of Jardine Matheson	<b>9</b>	29
Share of other comprehensive income of associates and joint ventures	20 <b>248</b>	229
Tax relating to components of other comprehensive income	12 <b>(6)</b>	–
Other comprehensive income for the year	<b>540</b>	857
<b>Total comprehensive income for the year</b>	<b>8,149</b>	5,014
Attributable to:		
Shareholders of the Company	<b>3,761</b>	2,241
Minority interests	<b>4,388</b>	2,773
	<b>8,149</b>	5,014

# Consolidated Balance Sheet

at 31st December 2010

	Note	At 31st December		At 1st January
		2010 US\$m	2009 US\$m (restated)	2009 US\$m (restated)
<b>Assets</b>				
Intangible assets	15	<b>1,888</b>	1,694	1,471
Tangible assets	16	<b>4,578</b>	3,886	3,262
Investment properties	17	<b>18,061</b>	14,841	17
Plantations	18	<b>954</b>	425	353
Investment in Jardine Matheson	19	<b>1,172</b>	967	796
Associates and joint ventures	20	<b>5,849</b>	4,468	8,305
Other investments	21	<b>1,018</b>	817	562
Non-current debtors	22	<b>1,889</b>	1,370	1,032
Deferred tax assets	23	<b>121</b>	112	98
Pension assets	24	<b>57</b>	51	15
Non-current assets		<b>35,587</b>	28,631	15,911
Properties for sale	25	<b>1,184</b>	787	–
Stocks and work in progress	26	<b>2,132</b>	1,611	1,574
Current debtors	22	<b>3,665</b>	2,732	1,872
Current investments	21	<b>6</b>	3	4
Current tax assets		<b>130</b>	80	76
Bank balances and other liquid funds	27			
– non-financial services companies		<b>3,717</b>	3,521	1,709
– financial services companies		<b>176</b>	156	183
		<b>3,893</b>	3,677	1,892
		<b>11,010</b>	8,890	5,418
Non-current assets classified as held for sale	28	–	105	65
Current assets		<b>11,010</b>	8,995	5,483
<b>Total assets</b>		<b>46,597</b>	37,626	21,394

Approved by the Board of Directors

**A.J.L. Nightingale**  
**Lord Leach of Fairford**  
*Directors*

4th March 2011

		At 31st December		At 1st January
		2010	2009	2009
		US\$m	US\$m	US\$m
	Note		(restated)	(restated)
<b>Equity</b>				
Share capital	29	56	56	55
Share premium and capital reserves	30	1,346	1,345	1,338
Revenue and other reserves		16,470	12,710	10,421
Own shares held	32	(1,522)	(1,414)	(1,308)
Shareholders' funds		16,350	12,697	10,506
Minority interests	33	15,446	12,265	3,527
Total equity		31,796	24,962	14,033
<b>Liabilities</b>				
Long-term borrowings	34			
– non-financial services companies		4,201	5,023	1,754
– financial services companies		1,128	718	563
		5,329	5,741	2,317
Deferred tax liabilities	23	544	420	338
Pension liabilities	24	141	133	94
Non-current creditors	35	211	154	133
Non-current provisions	36	82	60	48
Non-current liabilities		6,307	6,508	2,930
Current creditors	35	4,952	4,064	2,903
Current borrowings	34			
– non-financial services companies		1,854	825	483
– financial services companies		1,403	918	798
		3,257	1,743	1,281
Current tax liabilities		245	312	220
Current provisions	36	40	37	27
Current liabilities		8,494	6,156	4,431
Total liabilities		14,801	12,664	7,361
Total equity and liabilities		46,597	37,626	21,394

# Consolidated Statement of Changes in Equity

for the year ended 31st December 2010

	Share capital US\$m	Share premium US\$m	Capital reserves US\$m	Revenue reserves US\$m	Contributed surplus 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 minority interests US\$m	Total equity US\$m
<b>2010</b>												
At 1st January												
– as previously reported	56	1,208	137	11,133	304	378	(31)	(28)	(1,414)	11,743	11,281	<b>23,024</b>
– change in accounting policies for												
– owner-occupied properties	–	–	–	(14)	–	(176)	–	28	–	(162)	(106)	<b>(268)</b>
– adopting amendments to IAS 12	–	–	–	1,116	–	–	–	–	–	1,116	1,090	<b>2,206</b>
– as restated	56	1,208	137	12,235	304	202	(31)	–	(1,414)	12,697	12,265	<b>24,962</b>
Total comprehensive income	–	–	–	3,577	–	–	(9)	193	–	3,761	4,388	<b>8,149</b>
Dividends paid by the Company	–	–	–	(124)	–	–	–	–	–	(124)	–	<b>(124)</b>
Dividends paid to minority shareholders	–	–	–	–	–	–	–	–	–	–	(742)	<b>(742)</b>
Employee share option schemes	–	–	10	–	–	–	–	–	–	10	1	<b>11</b>
Scrip issued in lieu of dividends	–	–	–	185	–	–	–	–	–	185	–	<b>185</b>
Repurchase of shares	–	(9)	–	–	–	–	–	–	–	(9)	–	<b>(9)</b>
Increase in own shares held	–	–	–	–	–	–	–	–	(108)	(108)	–	<b>(108)</b>
Subsidiary undertakings disposed of	–	–	–	–	–	–	–	–	–	–	(9)	<b>(9)</b>
Conversion of convertible bonds in a subsidiary undertaking	–	–	–	–	–	–	–	–	–	–	5	<b>5</b>
Capital contribution from minority shareholders	–	–	–	–	–	–	–	–	–	–	16	<b>16</b>
Change in interests in subsidiary undertakings	–	–	–	(62)	–	–	–	–	–	(62)	(478)	<b>(540)</b>
At 31st December	<b>56</b>	<b>1,199</b>	<b>147</b>	<b>15,811</b>	<b>304</b>	<b>202</b>	<b>(40)</b>	<b>193</b>	<b>(1,522)</b>	<b>16,350</b>	<b>15,446</b>	<b>31,796</b>
<b>2009</b>												
At 1st January												
– as previously reported	55	1,209	129	9,227	304	402	(38)	(275)	(1,308)	9,705	3,632	13,337
– change in accounting policies for												
– owner-occupied properties	–	–	–	(15)	–	(199)	–	39	–	(175)	(105)	<b>(280)</b>
– adopting amendments to IAS 12	–	–	–	972	–	–	–	4	–	976	–	<b>976</b>
– as restated	55	1,209	129	10,184	304	203	(38)	(232)	(1,308)	10,506	3,527	14,033
Total comprehensive income	–	–	–	1,960	–	42	7	232	–	2,241	2,773	5,014
Dividends paid by the Company	–	–	–	(118)	–	–	–	–	–	(118)	–	<b>(118)</b>
Dividends paid to minority shareholders	–	–	–	–	–	–	–	–	–	–	(443)	<b>(443)</b>
Employee share option schemes	–	–	8	–	–	–	–	–	–	8	2	<b>10</b>
Scrip issued in lieu of dividends	1	(1)	–	176	–	–	–	–	–	176	–	<b>176</b>
Increase in own shares held	–	–	–	–	–	–	–	–	(106)	(106)	–	<b>(106)</b>
New subsidiary undertakings	–	–	–	–	–	–	–	–	–	–	6,445	<b>6,445</b>
Subsidiary undertakings disposed of	–	–	–	–	–	–	–	–	–	–	(3)	<b>(3)</b>
Equity component of convertible bonds in a subsidiary undertaking	–	–	–	4	–	–	–	–	–	4	–	<b>4</b>
Capital contribution from minority shareholders	–	–	–	–	–	–	–	–	–	–	15	<b>15</b>
Change in interests in subsidiary undertakings	–	–	–	(14)	–	–	–	–	–	(14)	(51)	<b>(65)</b>
Transfer	–	–	–	43	–	(43)	–	–	–	–	–	<b>–</b>
At 31st December	<b>56</b>	<b>1,208</b>	<b>137</b>	<b>12,235</b>	<b>304</b>	<b>202</b>	<b>(31)</b>	<b>–</b>	<b>(1,414)</b>	<b>12,697</b>	<b>12,265</b>	<b>24,962</b>

Total comprehensive income included in revenue reserves comprises profit attributable to shareholders of the Company of US\$3,535 million (2009: US\$1,988 million), net fair value gain on other investments of US\$40 million (2009: loss of US\$17 million) and net actuarial gain on employee benefit plans of US\$2 million (2009: loss of US\$11 million).

Contributed surplus represents the excess in value of shares acquired in consideration for the issue of the Company's shares, over the nominal value of those shares issued. Under the Bye-Laws of the Company, the contributed surplus is distributable.

# Consolidated Cash Flow Statement

for the year ended 31st December 2010

	2010 US\$m	2009 US\$m (restated)
	<i>Note</i>	
<b>Operating activities</b>		
Operating profit	<b>6,779</b>	4,204
Depreciation and amortization	37 (a) <b>730</b>	553
Other non-cash items	37 (b) <b>(3,470)</b>	(1,846)
Increase in working capital	37 (c) <b>(1,679)</b>	(145)
Interest received	<b>102</b>	101
Interest and other financing charges paid	<b>(199)</b>	(147)
Tax paid	<b>(835)</b>	(548)
	<b>1,428</b>	2,172
Dividends from associates and joint ventures	<b>606</b>	301
Cash flows from operating activities	<b>2,034</b>	2,473
<b>Investing activities</b>		
Purchase of Hongkong Land	37 (d) <b>–</b>	1,082
Purchase of other subsidiary undertakings	37 (d) <b>(49)</b>	(42)
Purchase of associates and joint ventures	37 (e) <b>(227)</b>	(53)
Purchase of other investments	37 (f) <b>(231)</b>	(311)
Purchase of intangible assets	<b>(156)</b>	(90)
Purchase of tangible assets	<b>(833)</b>	(733)
Purchase of investment properties	<b>(32)</b>	(14)
Additions to plantations	<b>(87)</b>	(77)
Advance to associates, joint ventures and others	37 (g) <b>(220)</b>	(288)
Repayment from associates and joint ventures	37 (h) <b>286</b>	31
Sale of subsidiary undertakings	37 (i) <b>20</b>	(2)
Sale of associates and joint ventures	37 (j) <b>–</b>	90
Sale of other investments	37 (k) <b>110</b>	213
Sale of intangible assets	<b>2</b>	2
Sale of tangible assets	<b>51</b>	64
Sale of investment properties	<b>–</b>	1
Cash flows from investing activities	<b>(1,366)</b>	(127)
<b>Financing activities</b>		
Repurchase of shares	<b>(9)</b>	–
Capital contribution from minority shareholders	<b>16</b>	15
Repayment to minority shareholders	<b>(11)</b>	–
Change in interests in subsidiary undertakings	37 (l) <b>(540)</b>	(65)
Sale of convertible bonds in a subsidiary undertaking	<b>–</b>	33
Drawdown of borrowings	<b>6,459</b>	3,323
Repayment of borrowings	<b>(5,630)</b>	(3,503)
Dividends paid by the Company	<b>(37)</b>	(34)
Dividends paid to minority shareholders	<b>(742)</b>	(443)
Cash flows from financing activities	<b>(494)</b>	(674)
Net increase in cash and cash equivalents	<b>174</b>	1,672
Cash and cash equivalents at 1st January	<b>3,664</b>	1,882
Effect of exchange rate changes	<b>61</b>	110
Cash and cash equivalents at 31st December	37 (m) <b>3,899</b>	3,664

# Notes to the Financial Statements

## 1 Principal Accounting Policies

### *Basis of preparation*

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

Previously, the Group's freehold land and buildings, and the building component of owner-occupied leasehold properties were stated at valuation. Independent valuations were performed every three years on an open market basis, and in the case of the building component of leasehold properties, on the basis of depreciated replacement cost. In the intervening years, the Directors reviewed the carrying values and adjustments were made where there were material changes. Revaluation surpluses and deficits were recognized in other comprehensive income and accumulated in equity under asset revaluation reserves, except for movements on individual properties below depreciated cost which were recognized in profit and loss. Leasehold land was carried at amortized cost.

With effect from 1st January 2010, the Group revised its accounting policy in respect of its freehold land and buildings and the building component of owner-occupied leasehold properties to the cost model, under which these assets are carried at cost less any accumulated depreciation and impairment. This change harmonizes the treatment of land and buildings, both freehold and leasehold, and aligns the Group's accounting policy with industry practice, enhancing the comparability of the Group's financial statements with those of its international peers. The Directors believe that the new policy provides reliable and more relevant financial information to the users of the financial statements.

This change in accounting policy has been accounted for retrospectively, and the comparative financial statements have been restated.

### *Standards, amendments and interpretations effective in 2010 which are relevant to the Group's operations*

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Amendments to IFRS 2	Group Cash-settled Share-based Payment Transactions
Amendment to IAS 39	Eligible Hedged Items
IFRIC 17	Distributions of Non-cash Assets to Owners
IFRIC 18	Transfers of Assets from Customers
Improvements to IFRSs (2009)	

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IAS 17 (amendment) 'Leases' is part of the 2009 improvement project. It specifies that a land lease may be classified as a finance lease when significant risks and rewards associated with the land are transferred to the lessee despite there being no transfer of title at the end of the lease term. Previously, all of the Group's leasehold land was included under land use rights in intangible assets and stated at cost less accumulated amortization. In accordance with the amendment, certain long-term interests in leasehold land have been 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. The amendment has been applied retrospectively to unexpired leases at the date of adoption of the amendment on the basis of information existing at the inception of the leases.

The adoption of the following standards, amendments and interpretations does not have a material impact on the Group's accounting policies.

The amendments to IFRS 2 'Group Cash-settled Share-based Payment Transactions' incorporate the guidance provided in IFRIC 8 'Scope of IFRS 2' and IFRIC 11 'IFRS 2 – Group and Treasury Share Transactions' and expand on the guidance in IFRIC 11 to address the classification of group arrangements that were not covered by that interpretation.

The amendment to IAS 39 'Eligible Hedged Items' gives additional guidance on the designation of a hedged item and how hedged accounting should be applied in particular situations.

IFRIC 17 'Distribution of Non-cash Assets to Owners' requires that a non-cash dividend payable should be recognized when the dividend is appropriately authorized and is no longer at the discretion of the entity. The dividend should be measured at the fair values of the net assets to be distributed. Any difference between the dividend paid and the carrying amount of the net assets distributed should be included in profit and loss.

IFRIC 18 'Transfers of Assets from Customers' addresses the accounting by recipients for transfers of property, plant and equipment from customers and concludes that when an item of property, plant and equipment transferred meets the definition of an asset from the perspective of the recipient, the recipient should recognize the asset at its fair value on the date of transfer, with the credit being recognized as revenue in accordance with IAS 18 'Revenue'.

IFRS 5 (amendment) 'Non-current Assets Held for Sale and Discontinued Operations' is part of the 2009 improvement project. It clarifies that the disclosure requirements in IFRSs other than IFRS 5 do not apply to non-current assets (or disposal groups) classified as held for sale of discontinued operations unless those IFRSs require (i) specific disclosures in respect of non-current assets (or disposal groups) classified as held for sale or discontinued operations, or (ii) disclosures about measurement of assets and liabilities within a disposal group that are not within the scope of the measurement requirement of IFRS 5 and the disclosures are not already provided in the consolidated financial statements.

IAS 1 (amendment) 'Presentation of Financial Statements' is part of the 2009 improvement project. It clarifies that the potential settlement of a liability by the issue of equity is not relevant to its classification as current or non-current.

IAS 36 (amendment) 'Impairment of Assets' is part of the 2009 improvement project. It clarifies that the largest cash-generating unit (or group of units) to which goodwill should be allocated for the purposes of impairment testing is an operating segment, as defined by paragraph 5 of IFRS 8.

IFRIC 16 (amendment) 'Hedges of a Net Investment in a Foreign Operation' is part of the 2009 improvement project. It states that in a hedge of a net investment in a foreign operation, qualifying hedging instruments may be held by any entity or entities within the group, including the foreign operation itself, as long as the designation, documentation and effectiveness requirements of IAS 39 that relate to a net investment hedge are satisfied.

*Amended standard early adopted by the Group*

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Amendments to IAS 12

Deferred Tax: Recovery of Underlying Assets

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The amendments to IAS 12 (effective from 1st January 2012) provides that the measurement of deferred tax liabilities and deferred tax assets arising from investment properties which are measured using the fair value model in IAS 40 should reflect a rebuttable presumption that the carrying amount of the underlying assets will be recovered through sale.

The early adoption of the amendments to IAS 12 has resulted in a change in accounting policy on the provision of deferred tax on revaluation of investment properties. Previously, provision for deferred tax was made at the income tax rates on the revaluation of, and the tax bases of, investment properties held under operating leases on the basis that their values would be recovered through use rather than through sale. In accordance with the amendments, deferred tax is provided at the income tax rates on allowances claimed on these properties and at the capital gains tax rates on the valuation in excess of cost. As the Group's long leasehold investment properties are located in Hong Kong and Singapore where sales of a capital nature in excess of cost are not taxable, deferred tax liabilities relating to investment properties have been reduced significantly. This change in accounting policy has been accounted for retrospectively and the comparative financial statements have been restated.

Effects of change in accounting policies:

a) On the consolidated profit and loss account for the year ended 31st December

	Effect of			
	Change to cost model for owner-occupied properties		Adopting amendments to IAS 12	
	2010 US\$m	2009 US\$m	2010 US\$m	2009 US\$m
Decrease in net operating costs	23	19	–	–
Increase in share of results of Jardine Matheson	3	1	1	2
Increase/(decrease) in share of results of associates and joint ventures	6	4	111	(75)
Increase in net discount on acquisition of Hongkong Land	–	–	–	49
(Increase)/decrease in tax	(5)	(4)	528	314
Increase in profit after tax	27	20	640	290
Attributable to:				
Shareholders of the Company	11	7	325	137
Minority interests	16	13	315	153
	27	20	640	290
Increase in basic earnings per share (US\$)	0.02	0.01	0.52	0.22
Increase in diluted earnings per share (US\$)	0.02	0.01	0.50	0.21

On the adoption of IAS 17 (amendment), there is no impact on the consolidated profit and loss account.

b) On the consolidated balance sheet at 31st December

	Increase/(decrease) in assets				Increase/(decrease) in equity/liabilities			
	Intangible assets	Tangible assets	Investment in Jardine Matheson	Associates and joint ventures	Deferred tax assets	Revenue and other reserves	Minority interests	Deferred tax liabilities
	US\$m	US\$m	US\$m	US\$m	US\$m	US\$m	US\$m	US\$m
<b>2010</b>								
Effect of:								
Change to cost model for owner-occupied properties	–	(222)	(22)	(88)	14	(174)	(102)	(42)
Adopting IAS 17 (amendment)	(416)	416	–	–	–	–	–	–
Adopting amendments to IAS 12	–	–	28	166	–	1,459	1,391	(2,656)
<b>Total</b>	<b>(416)</b>	<b>194</b>	<b>6</b>	<b>78</b>	<b>14</b>	<b>1,285</b>	<b>1,289</b>	<b>(2,698)</b>
<b>2009</b>								
Effect of:								
Change to cost model for owner-occupied properties	–	(222)	(21)	(78)	4	(162)	(106)	(49)
Adopting IAS 17 (amendment)	(373)	373	–	–	–	–	–	–
Adopting amendments to IAS 12	–	–	26	47	–	1,116	1,090	(2,133)
<b>Total</b>	<b>(373)</b>	<b>151</b>	<b>5</b>	<b>(31)</b>	<b>4</b>	<b>954</b>	<b>984</b>	<b>(2,182)</b>
<b>2008</b>								
Effect of:								
Change to cost model for owner-occupied properties	–	(229)	(21)	(87)	6	(175)	(105)	(51)
Adopting IAS 17 (amendment)	(394)	394	–	–	–	–	–	–
Adopting amendments to IAS 12	–	–	24	952	–	976	–	–
<b>Total</b>	<b>(394)</b>	<b>165</b>	<b>3</b>	<b>865</b>	<b>6</b>	<b>801</b>	<b>(105)</b>	<b>(51)</b>

*Standards, amendments and interpretations effective after 2010 which are relevant to the Group's operations and yet to be adopted*

IFRS 9	Financial Instruments
Revised IAS 24	Related Party Disclosures
Amendment to IAS 32	Classification of Rights Issues
Amendments to IFRIC 14	Prepayments of a Minimum Funding Requirement
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments
Improvements to IFRSs (2010)	

IFRS 9 'Financial Instruments' (effective from 1st January 2013) is the first part of a project to replace IAS 39. It addresses the classification and measurement of financial assets. IFRS 9 is likely to affect the Group's accounting for its financial assets. The Group will apply IFRS 9 from 1st January 2013 and is yet to assess IFRS 9's full impact.

Revised IAS 24 'Related Party Disclosures' (effective from 1st January 2011) supersedes IAS 24 (as revised in 2003). It simplifies the disclosure requirements for government-related entities and clarifies the definition of a related party. The Group will apply IAS 24 and provide the required disclosure from 1st January 2011.

Amendment to IAS 32 'Classification of Rights Issues' (effective from 1st February 2010) clarifies that rights issues are equity instruments when they are denominated in a currency other than the issuer's functional currency and are issued pro-rata to an entity's existing shareholders for a fixed amount of currency. The Group will apply amendment to IAS 32 from 1st January 2011. To date, the Group has not entered into any arrangements that would fall within the scope of the amendments.

Amendments to IFRIC 14 'Prepayments of a Minimum Funding Requirement' (effective from 1st January 2011) require an entity to recognize an asset for a prepayment that will reduce future minimum funding contributions required by the entity. The Group will apply amendments to IFRIC 14 from 1st January 2011, but it is not expected to have any significant impact on the results of the Group.

IFRIC 19 'Extinguishing Financial Liabilities with Equity Instruments' (effective from 1st July 2010) provides guidance on the application of IAS 39 and IAS 32 when an entity issues its own equity instruments to extinguish all or part of a financial liability. The Group will apply IFRIC 19 from 1st January 2011 and is in the process of making an assessment of the impact of this interpretation.

The Improvements to IFRSs (2010) comprise a number of non-urgent but necessary amendments to IFRSs. The amendments which are relevant to the Group's operations include IFRS 3 (amendments) 'Business Combinations', IFRS 7 (amendments) 'Financial Instruments: Disclosures', IAS 1 (amendments) 'Presentation of Financial Statements', IAS 34 (amendments) 'Interim Financial Reporting' and IFRIC 13 (amendment) 'Customer Loyalty Programmes'. The adoption of these amendments is not expected to have any significant impact on the results of the Group.

IFRS 3 (amendments) 'Business Combinations' (effective from 1st July 2010) clarify the transition requirements for contingent consideration from business combination that occurred before the effective date of the revised IFRS, the measurement of non-controlling interests and un-replaced and voluntarily replaced share-based payment awards. The Group will apply the amendments from 1st January 2011.

IFRS 7 (amendments) 'Financial Instruments: Disclosures' (effective from 1st January 2011) emphasize the interaction between qualitative and quantitative disclosures and the nature and extent of risks associated with financial instruments. The Group will apply the amendments from 1st January 2011.

IAS 1 (amendments) 'Presentation of Financial Statements' (effective from 1st January 2011) clarify that entities may present the required reconciliations for each component of other comprehensive income either in the statement of changes in equity or in the notes to the financial statements. The Group will apply the amendments from 1st January 2011.

IAS 34 (amendments) 'Interim Financial Reporting' (effective from 1st January 2011) provide guidance to illustrate how to apply disclosure principles in IAS 34 and add disclosure requirements around the circumstances likely to affect fair values of financial instruments and their classification, transfers of financial instruments between different levels of fair value hierarchy, changes in classification of financial assets and changes in contingent liabilities and assets. The Group will apply the amendments from 1st January 2011.

IFRIC 13 (amendment) 'Customer Loyalty Programmes' (effective from 1st January 2011) clarifies that when the fair value of award credits is measured on the basis of the value of the awards for which they could be redeemed, the fair value of the award credits should take account of expected forfeitures as well as the discounts or incentives that would otherwise be offered to customers who have not earned award credits from an initial sale. The Group will apply the amendment from 1st January 2011.

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

The Group's reportable segments are set out in note 4 and are described on page 4 and pages 6 to 13.

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

(i) The consolidated financial statements include the financial statements of the Company, its subsidiary undertakings, its associates and joint ventures and its investment in Jardine Matheson.

(ii) Subsidiary undertakings are entities over which the Group has the power to govern the financial and operating policies. The purchase method of accounting is used to account for the acquisition of subsidiary undertakings by the Group. The cost of an acquisition include the fair value at the acquisition date of any contingent consideration. In a business combination achieved in stages, the Group remeasures its previously held interest in the acquiree at its acquisition-date fair value and recognized the resulting gain or loss in profit and loss. Changes in a parent's ownership interest in a subsidiary undertaking that do not result in the loss of control are accounted for as equity transactions. When control over a previous subsidiary undertaking is lost, any remaining interest in the entity is remeasured at fair value and the resulting gain or loss is recognized in profit and loss.

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

(iii) Associates are entities, not being subsidiary undertakings or joint ventures, over which the Group exercises significant influence. Joint ventures are entities which the Group jointly controls with one or more other venturers. Associates and joint ventures are included on the equity basis of accounting.

Rothschilds Continuation has a financial year end of 31st March. The company publishes audited financial statements annually and prepares half-year unaudited financial statements. The results of Rothschilds Continuation are included in these financial statements by reference to its latest half-year and annual financial statements adjusted for the effects of significant transactions or events that occur up to the balance sheet date.

(iv) The Company has a 54% interest in its ultimate holding company, Jardine Matheson Holdings Ltd. The results of Jardine Matheson are included on the equity basis of accounting. The cost of and related income arising from shares held in the Company by Jardine Matheson are eliminated from shareholders' funds and profit, respectively.

(v) Minority interests represent the proportion of the results and net assets of subsidiary undertakings and their associates and joint ventures not attributable to the Group.

(vi) The results of subsidiary undertakings, associates and joint ventures, and Jardine Matheson are included or excluded from their effective dates of acquisition or disposal, respectively. The results of entities other than subsidiary undertakings, associates and joint ventures, and Jardine Matheson 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 subsidiary undertakings, 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 subsidiary undertakings, associates and joint ventures, and of financial instruments which are designated as hedges of such investments, are recognized in other comprehensive income and accumulated in equity under exchange reserves. On the disposal of these investments which results in the loss of control, such exchange differences are recognized in profit and loss. Exchange differences on available-for-sale investments are recognized in other comprehensive income as part of the gains and losses arising from changes in their fair value. Exchange differences relating to changes in the amortized cost of monetary securities classified as available-for-sale and all other exchange differences are recognized 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**

Assets that have indefinite useful lives are not subject to amortization and are tested for impairment annually and whenever there is an indication that the assets may be impaired. Assets that are subject to amortization 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 recognized 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.

### **Intangible assets**

(i) Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary undertaking, associate or joint venture at the effective date of acquisition. Minority 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 recognized directly in profit and loss. Goodwill on acquisitions of subsidiary undertakings 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 subsidiary undertakings, associates and joint ventures includes 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 owner-occupied property. These payments are stated at cost and are amortized 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 under service concession arrangements. The cost of the construction services provided under the arrangements is amortized over the period of the concession.

(v) Other intangible assets are stated at cost less accumulated amortization. Amortization 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 amortized 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	21 – 150 years
Surface, finishes and services of hotel properties	20 – 30 years
Leasehold improvements	period of the lease
Leasehold land	period of the lease
Plant and machinery	2 – 20 years
Furniture, equipment and motor vehicles	2 – 16 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 recognized 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 each property is calculated on the discounted net rental income allowing for reversionary potential. Changes in fair value are recognized in profit and loss.

#### ***Plantations***

Plantations, which principally comprise oil palm plantations and exclude the related land, are measured at each balance sheet date at their fair values, representing the present value of expected net cash flows from the assets in their present location and condition determined internally, less estimated point of sale costs. Changes in fair values are recorded in the profit and loss account. The plantations which have a life of approximately 25 years 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.

#### ***Investments***

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

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

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

#### ***Leases***

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

(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 capitalized 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 recognized 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 realizable value. The cost of properties for sale comprises land cost, 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 realizable 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**

Consumer financing debtors and finance lease receivables are measured at amortized cost using the effective interest method. The gross amount due from customers for contract work is stated at cost plus an appropriate proportion of profit, established by reference to the percentage of completion, and after deducting progress payments and provisions for foreseeable losses. Repossessed assets 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 amortized cost except where the effect of discounting would be immaterial. Provision for impairment is established when there is objective evidence that the outstanding amounts will not be collected. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments are considered indicators that the debtor is impaired. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized 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, restricted bank balances and deposits are included in non-current debtors, and 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 recognized in profit and loss.

#### **Provisions**

Provisions are recognized 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 recognized at fair value, net of transaction costs incurred. In subsequent periods, borrowings are stated at amortized 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 amortized cost basis until extinguished on conversion or maturity of the bond. The remainder of the proceeds is allocated to the conversion option which is recognized 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 recognized in profit and loss.

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

Borrowings are classified under non-current liabilities unless these are due to be settled within 12 months after the balance sheet date.

### ***Deferred tax***

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 realized 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 subsidiary undertakings, 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 recognized to the extent that it is probable that future taxable profit will be available against which the unused tax losses can be utilized.

### ***Employee benefits***

#### ***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 are recognized in other comprehensive income in the year in which they occur.

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

#### ***Share-based compensation***

The Group operates 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 recognized 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 recognized in profit and loss.

### ***Non-current assets held for sale***

Non-current assets are classified as assets held for sale and stated at the lower of carrying amount and fair value less costs to sell if their carrying amount is recovered principally through a sale transaction rather than through continuing use.

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

The Group only enters into derivative financial instruments in order to hedge underlying exposures. Derivative financial instruments are initially recognized at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. The method of recognizing 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 recognized 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.

Changes in the fair value of derivatives that are designated and qualify as fair value hedges and that are highly effective, are recognized in profit and loss, along with any changes in the fair value of the hedged asset or liability that is attributable to the hedged risk. When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, the cumulative adjustment to the carrying amount of a hedged item for which the effective interest method is used is amortized 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 recognized in other comprehensive income and accumulated in equity under hedging reserves. Where the forecasted transaction or firm commitment results in the recognition of a non-financial asset or of a non-financial liability, the gains and losses previously deferred in hedging reserves are transferred from hedging reserves and included in the initial measurement of the cost of the asset or liability. Otherwise, amounts deferred in hedging reserves are transferred to profit and loss in the same periods during which the hedged firm commitment or forecasted transaction affects profit and loss. When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in hedging reserves at that time remains in the hedging reserves and is recognized when the committed or forecasted transaction ultimately is recognized 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 IAS 39. Changes in the fair value of any derivative instruments that do not qualify for hedge accounting under IAS 39 are recognized 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 recognized in exchange reserves; the gain or loss relating to the ineffective portion is recognized 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 recognized 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 recognized 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.

#### ***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 plantations; 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 Jardine Matheson. 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 Jardine Matheson, subsidiary undertakings, associates or joint ventures.

**Dividends**

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

Scrip dividends are accounted for as a bonus issue. The nominal amount of the ordinary shares issued as a result of election for scrip is capitalized out of the share premium account or other reserves, as appropriate.

**Revenue recognition**

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

(i) Revenue from the sale of goods, including properties for sale, is recognized on the transfer of significant risks and rewards of ownership, which generally coincides with the time when the goods are delivered to customers and title has passed.

(ii) Revenue from a contract to provide services is recognized by reference to the stage of completion of the contract.

(iii) Revenue from consumer financing and financing leases is recognized over the term of the respective contracts based on a constant rate of return on the net investment.

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

**Pre-operating costs**

Pre-operating costs are expensed as they are incurred.

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## 2 Financial Risk Management

### *Financial risk factors*

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

The Group's treasury function co-ordinates, under the directions of the board of 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 minimize 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. Certain derivative transactions, while providing effective economic hedges under the Group's risk management policies, do not qualify for hedge accounting under the specific rules in IAS 39. Changes in the fair value of any derivative instruments that do not qualify for hedge accounting under IAS 39 are recognized immediately in the profit and loss account. It is the Group's policy not to enter into derivative transactions for speculative purposes. The notional amounts and fair values of derivative financial instruments at 31st December 2010 are disclosed in note 38.

#### (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 2010 the Group's Indonesian rupiah functional entities had United States dollar denominated net monetary liabilities of US\$157 million (2009: assets of US\$65 million). At 31st December 2010, 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\$11 million lower/higher (2009: US\$5 million higher/lower), arising from foreign exchange losses/gains taken on translation. The amount attributable to the Group after minority interests would be US\$7 million (2009: US\$1 million). 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 2010 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 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 2010 the Group's interest rate hedge exclusive of the financial

services companies was 58% (2009: 54%), with an average tenor of five years (2009: three 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 34.

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.

At 31st December 2010, 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\$21 million (2009: US\$18 million) higher/lower, and hedging reserves would have been US\$68 million (2009: US\$31 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 variation in the sensitivity analysis as a result of 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 listed and unlisted investments which are available for sale and held by the Group at fair value. Gains and losses arising from changes in the fair value of available-for-sale investments are recognized in other comprehensive income. The performance of the Group's listed and unlisted available-for-sale investments are monitored regularly, together with an assessment of their relevance to the Group's long term strategic plans. Details of the Group's available-for-sale investments are contained in note 21.

Available-for-sale investments are unhedged. At 31st December 2010, if the price of listed and unlisted available-for-sale investments had been 25% higher/lower with all other variables held constant, total equity would have been US\$253 million (2009: US\$202 million) higher/lower. 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 crude palm oil and coal. The Group's policy is generally not to hedge commodity price risk, although limited hedging is 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. The Group considers the outlook for crude palm oil and coal prices regularly in considering the need for active financial risk management.

#### (ii) Credit risk

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

The Group manages its deposits with banks and financial institutions and transactions involving derivative financial instruments by monitoring credit ratings and capital adequacy ratios of counterparties, and limiting the aggregate risk to any individual counterparty. The utilization of credit limits is regularly monitored. At 31st December 2010, over 82% (2009: 77%) of deposits and balances with banks and financial institutions were made to institutions with credit ratings of no less than A- (Fitch). Similarly transactions involving derivative financial instruments are with banks with sound credit ratings and capital adequacy ratios. In developing countries it may be necessary to deposit money with banks that have a lower credit rating, however the Group only enters into derivative transactions with counterparties which have credit ratings of at least investment grade. Management does not expect any counterparty to fail to meet its obligations.

In respect of credit exposures to customers, the Group has policies in place to ensure that 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 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. The Group's exposure to credit risk arising from debtors is set out in note 22 and totals US\$5,554 million (2009: US\$4,102 million). The Group's exposure to credit risk arising from exposure to derivative financial instruments with a positive fair value is disclosed in note 22 as a component of other debtors and totals US\$62 million (2009: US\$68 million). The Group's exposure to credit risk arising from deposits and balances with banks and financial institutions is set out in note 27 and totals US\$3,800 million (2009: US\$3,603 million).

#### (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 2010, total available borrowing facilities amounted to US\$13.6 billion (2009: US\$11.5 billion) of which US\$8.6 billion (2009: US\$7.5 billion) was drawn down. Undrawn committed facilities, in the form of revolving credit and term loan facilities, totaled US\$3.9 billion (2009: US\$2.9 billion).

An ageing analysis of the Group's financial liabilities based on the remaining period at the balance sheet to the contractual maturity dates is included in notes 34, 35 and 38.

#### **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 maximize 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 business performance 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 2009 and 2010 are as follows:

	2010	2009
Gearing ratio exclusive of financial services companies (%)	7	9
Gearing ratio inclusive of financial services companies (%)	15	15
Interest cover exclusive of financial services companies (times)	30	36
Interest cover inclusive of financial services companies (times)	35	47

The decrease in interest cover for the year as compared to 2009 is primarily due to the consolidation of Hongkong Land from 30th June 2009.

**Fair value estimation**

(i) Financial instruments that are measured at fair value

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

(a) Quoted prices (unadjusted) in active markets for identical assets or liabilities ('quoted prices in active markets')

The fair value of listed securities, which are classified as available-for-sale, is based on quoted prices in active markets at the balance sheet date. The quoted market price used for listed investments held by the Group is the current bid price.

(b) Inputs other than quoted prices in active markets that are observable for the asset or liability, either directly or indirectly ('observable current market transactions')

The fair value of interest rate swaps and caps, cross-currency swaps, forward foreign exchange contracts and credit default swaps have been determined using rates quoted by the Group's bankers at the balance sheet date which are calculated by reference to the market interest rates and foreign exchange rates.

(c) Inputs for the asset or liability that are not based on observable market data ('unobservable inputs')

The fair value of unlisted securities, which are classified as available-for-sale, is determined using valuation techniques by reference to observable current market transactions or the market prices of the underlying investments with certain degree of entity specific estimates.

(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 amount 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.

### 3 Critical Accounting Estimates and Judgements

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

#### ***Acquisition of subsidiary undertakings, associates and joint ventures***

The initial accounting on the acquisition of subsidiary undertakings, 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.

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

Management determines the estimated useful lives and related depreciation charges for the Group's tangible fixed assets. Management will revise the depreciation charge where useful lives are different to those previously estimated, or it will write off or write down technically obsolete or non-strategic assets that have been abandoned or sold.

#### ***Investment properties***

The fair values of investment properties are determined by independent valuers on an open market for existing-use basis calculated on the discounted net income allowing for reversionary potential.

In making the judgement, consideration has been given to assumptions that are mainly based on market conditions existing at the balance sheet date and appropriate capitalization rates. These estimates are regularly compared to actual market data and actual transactions entered into by the Group.

#### ***Plantations***

The fair values of plantations are determined by management based on the expected cash flows from the plantations.

Management applies judgement in determining the assumptions to be used; the significant ones include a historical average crude palm oil price as the basis for deriving the price of fresh fruit bunches, maintenance costs, the yield per hectare based on industry standards and historical experience and the appropriate capitalization rates.

#### ***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 2010 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.

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

**Income taxes**

The Group is subject to income taxes in numerous jurisdictions. Significant judgement is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Provision of deferred tax follows the way management expects to recover or settle the carrying amount of the related assets or liabilities, which the management may expect to recover through use, sale or combination of both. Accordingly, deferred tax will be calculated at income tax rate, capital gains tax rate or combination of both. There is a rebuttable presumption in International Financial Reporting Standards that investment properties measured at fair value are recovered through sale. Thus, deferred tax on revaluation of investment properties held by the Group are calculated at the capital 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 utilized. The outcome of their actual utilization 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 expected long-term rate of return on the relevant plan assets and the discount rate. Any changes in these assumptions will impact the carrying amount of pension obligations.

The expected return on plan assets assumption is determined on a uniform basis, taking into consideration long-term historical returns, asset allocation and future estimates of long-term investment returns.

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.

**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.

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#### 4 Segmental Information

Operating segments are identified on the basis of internal reports about components of the Group that are regularly reviewed by the Board for the purpose of resource allocation and performance assessment. The Group has six operating segments as

more fully described on page 4. 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 Matheson 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>2010</b>											
Revenue (refer note 5)	–	1,341	7,971	513	1,320	14,360	–	(7)	25,498	–	<b>25,498</b>
Net operating costs	–	(459)	(7,502)	(448)	(1,272)	(12,583)	(94)	7	(22,351)	434	<b>(21,917)</b>
Change in fair value of investment properties	–	–	–	–	–	–	–	–	–	3,198	<b>3,198</b>
Operating profit	–	882	469	65	48	1,777	(94)	–	3,147	3,632	<b>6,779</b>
Net financing charges											
– financing charges	–	(112)	(26)	(15)	(1)	(54)	(9)	–	(217)	–	<b>(217)</b>
– financing income	–	35	3	2	–	56	3	–	99	–	<b>99</b>
	–	(77)	(23)	(13)	(1)	2	(6)	–	(118)	–	<b>(118)</b>
Share of results of Jardine Matheson	187	–	–	–	–	–	–	–	187	12	<b>199</b>
Share of results of associates and joint ventures											
– before change in fair value of investment properties	–	174	47	4	23	544	15	–	807	11	<b>818</b>
– change in fair value of investment properties	–	–	–	–	–	–	–	–	–	731	<b>731</b>
	–	174	47	4	23	544	15	–	807	742	<b>1,549</b>
Sale of associates and joint ventures	–	–	–	–	–	–	–	–	–	3	<b>3</b>
Profit before tax	187	979	493	56	70	2,323	(85)	–	4,023	4,389	<b>8,412</b>
Tax	–	(123)	(85)	(12)	(9)	(467)	(1)	–	(697)	(106)	<b>(803)</b>
Profit after tax	187	856	408	44	61	1,856	(86)	–	3,326	4,283	<b>7,609</b>
Minority interests	–	(448)	(89)	(11)	(22)	(1,319)	2	–	(1,887)	(2,187)	<b>(4,074)</b>
Profit attributable to shareholders	<b>187</b>	<b>408</b>	<b>319</b>	<b>33</b>	<b>39</b>	<b>537</b>	<b>(84)</b>	<b>–</b>	<b>1,439</b>	<b>2,096</b>	<b>3,535</b>
Net (debt)/cash (excluding net debt of financial services companies)*	–	(2,358)	223	(144)	41	(396)	297	(1)			<b>(2,338)</b>
Total equity	<b>1,177</b>	<b>19,477</b>	<b>958</b>	<b>986</b>	<b>393</b>	<b>7,803</b>	<b>1,019</b>	<b>(17)</b>			<b>31,796</b>
<b>2009</b>											
Revenue (refer note 5)	–	801	7,029	438	1,103	9,537	–	(3)	18,905	–	18,905
Net operating costs	–	(323)	(6,605)	(414)	(1,047)	(8,196)	(68)	3	(16,650)	61	(16,589)
Change in fair value of investment properties	–	–	–	–	–	–	–	–	–	1,888	1,888
Operating profit	–	478	424	24	56	1,341	(68)	–	2,255	1,949	4,204
Net financing charges											
– financing charges	–	(56)	(24)	(19)	(1)	(47)	(10)	–	(157)	–	(157)
– financing income	–	30	3	4	1	54	1	–	93	–	93
	–	(26)	(21)	(15)	–	7	(9)	–	(64)	–	(64)
Share of results of Jardine Matheson	125	–	–	–	–	–	–	–	125	26	151
Share of results of associates and joint ventures											
– before change in fair value of investment properties	–	288	35	1	18	254	(9)	–	587	53	640
– change in fair value of investment properties	–	–	–	–	–	–	–	–	–	(431)	(431)
	–	288	35	1	18	254	(9)	–	587	(378)	209
Net discount on acquisition of Hongkong Land	–	–	–	–	–	–	–	–	–	145	145
Sale of associates and joint ventures	–	–	–	–	–	–	–	–	–	79	79
Profit before tax	125	740	438	10	74	1,602	(86)	–	2,903	1,821	4,724
Tax	–	(71)	(75)	(1)	(11)	(403)	–	–	(561)	(6)	(567)
Profit after tax	125	669	363	9	63	1,199	(86)	–	2,342	1,815	4,157
Minority interests	–	(282)	(80)	(2)	(23)	(870)	4	–	(1,253)	(916)	(2,169)
Profit attributable to shareholders	125	387	283	7	40	329	(82)	–	1,089	899	1,988
Net (debt)/cash (excluding net debt of financial services companies)*	–	(2,417)	34	(116)	(13)	77	110	(2)			<b>(2,327)</b>
Total equity	<b>972</b>	<b>15,071</b>	<b>743</b>	<b>998</b>	<b>308</b>	<b>6,141</b>	<b>746</b>	<b>(17)</b>			<b>24,962</b>

\*Net (debt)/cash is total borrowings less bank balances and other liquid funds.

**4 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>2010</b> US\$m	2009 US\$m
<b><i>Underlying profit attributable to shareholders:</i></b>		
Greater China	<b>558</b>	546
Southeast Asia	<b>909</b>	606
United Kingdom	<b>28</b>	18
Rest of the world	<b>28</b>	1
	<b>1,523</b>	1,171
Corporate and other interests	<b>(84)</b>	(82)
	<b>1,439</b>	1,089
<b><i>Non-current assets*:</i></b>		
Greater China	<b>20,125</b>	16,764
Southeast Asia	<b>11,080</b>	8,302
United Kingdom	<b>657</b>	606
Rest of the world	<b>640</b>	609
	<b>32,502</b>	26,281

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

## 5 Revenue

	Gross revenue		Revenue	
	2010 US\$m	2009 US\$m	2010 US\$m	2009 US\$m
<b><i>By business:</i></b>				
Jardine Matheson	8,013	6,586	–	–
Hongkong Land	2,788	2,297	1,341	801
Dairy Farm	9,113	8,053	7,971	7,029
Mandarin Oriental	819	691	513	438
Jardine Cycle & Carriage	2,577	1,947	1,320	1,103
Astra	22,924	15,270	14,360	9,537
Corporate and other interests	1,119	1,410	–	–
Intersegment transactions	(390)	(297)	(7)	(3)
	<b>46,963</b>	35,957	<b>25,498</b>	18,905
<b><i>By product and service:</i></b>				
Agribusiness	974	717	974	717
Engineering, construction and mining	6,245	4,682	4,104	2,817
Financial services	4,249	3,914	1,122	823
Logistics and IT services	1,707	1,384	501	381
Motor vehicles	20,559	13,875	8,931	5,872
Property and hotels	3,760	3,106	1,895	1,266
Restaurants	1,434	1,194	–	–
Retail	8,035	7,085	7,971	7,029
	<b>46,963</b>	35,957	<b>25,498</b>	18,905
<b><i>By geographical location of customers:</i></b>				
Greater China	11,134	9,918	5,148	4,302
Southeast Asia	31,798	22,099	20,085	14,356
United Kingdom	3,297	3,319	63	60
Rest of the world	734	621	202	187
	<b>46,963</b>	35,957	<b>25,498</b>	18,905

Gross revenue comprises revenue together with 100% of revenue from Jardine Matheson, associates and joint ventures.

## 6 Net Operating Costs

	2010 US\$m	2009 US\$m
Cost of sales	<b>(18,873)</b>	(13,795)
Other operating income	<b>784</b>	393
Selling and distribution costs	<b>(2,549)</b>	(2,121)
Administration expenses	<b>(1,225)</b>	(958)
Other operating expenses	<b>(54)</b>	(108)
	<b>(21,917)</b>	(16,589)
<b><i>The following credits/(charges) are included in net operating costs:</i></b>		
Cost of stocks recognized as expense	<b>(16,486)</b>	(12,064)
Cost of properties for sale recognized as expense	<b>(296)</b>	(217)
Amortization of intangible assets	<b>(56)</b>	(42)
Depreciation of tangible assets	<b>(674)</b>	(511)
Impairment of intangible assets	<b>(2)</b>	(1)
Impairment of tangible assets	–	(5)
Impairment of debtors	<b>(106)</b>	(70)
Operating expenses arising from investment properties	<b>(99)</b>	(53)
Employee benefit expense		
– salaries and benefits in kind	<b>(1,754)</b>	(1,399)
– share options granted	<b>(5)</b>	(6)
– defined benefit pension plans (refer note 24)	<b>(44)</b>	(40)
– defined contribution pension plans	<b>(38)</b>	(38)
	<b>(1,841)</b>	(1,483)
Net foreign exchange gains	–	22
Operating leases		
– minimum lease payments	<b>(677)</b>	(586)
– contingent rents	<b>(13)</b>	(11)
– subleases	<b>42</b>	32
	<b>(648)</b>	(565)
Dividend and interest income from available-for-sale investments	<b>45</b>	21
Dividend and interest income from held-to-maturity investments	<b>1</b>	2
Rental income from owner-occupied properties	<b>18</b>	18
<b><i>Net operating costs included the following gains/(losses) from non-trading items:</i></b>		
Increase/(decrease) in fair value of plantations	<b>422</b>	(64)
Asset impairment	<b>(1)</b>	(13)
Sale and closure of businesses	<b>14</b>	(3)
Sale of other investments	–	132
Restructuring of businesses	–	1
Repurchase of convertible bonds in Hongkong Land	–	8
Costs on acquisition of businesses	<b>(1)</b>	–
	<b>434</b>	61

## 7 Net Financing Charges

	2010 US\$m	2009 US\$m
Interest expense		
– bank loans and advances	(98)	(93)
– other	(100)	(51)
	(198)	(144)
Fair value losses on fair value hedges	(42)	(6)
Fair value adjustment on hedged items attributable to the hedged risk	42	6
	–	–
	(198)	(144)
Interest capitalized	3	3
Commitment and other fees	(22)	(16)
Financing charges	(217)	(157)
Financing income	99	93
	(118)	(64)

## 8 Share of Results of Jardine Matheson

	2010 US\$m	2009 US\$m
<b>By business:</b>		
Jardine Pacific	98	83
Jardine Motors	47	35
Jardine Lloyd Thompson	24	19
Corporate and other interests	30	14
	199	151
<b>Share of results of Jardine Matheson included the following gains/(losses) from non-trading items:</b>		
Increase in fair value of investment properties	10	12
Sale and closure of businesses	3	5
Sale of other investments	–	6
Sale of property interests	1	–
Restructuring of businesses	(2)	(1)
Restructuring of pension schemes	–	2
Value added tax recovery in Jardine Motors	–	2
Discount on acquisition of business	1	–
Costs on acquisition of business	(1)	–
	12	26

Results are shown after tax and minority interests in Jardine Matheson.

## 9 Share of Results of Associates and Joint Ventures

	2010 US\$m	2009 US\$m
<b>By business:</b>		
Hongkong Land	905	(145)
Dairy Farm	47	35
Mandarin Oriental	4	–
Jardine Cycle & Carriage	23	22
Astra	555	257
Corporate and other interests	15	40
	<b>1,549</b>	<b>209</b>
<b>Share of results of associates and joint ventures included the following gains/(losses) from non-trading items:</b>		
Increase/(decrease) in fair value of investment properties	731	(431)
Asset impairment	–	(3)
Sale and closure of businesses	–	4
Derecognition of perpetual liabilities in Rothschilds Continuation*	–	49
Discount on acquisition of businesses	11	3
	<b>742</b>	<b>(378)</b>

Results are shown after tax and minority interests in the associates and joint ventures.

\*Fair value gain arising on reclassification of perpetual notes to equity following removal of the contractual obligation to repay principal or to pay interest on those notes.

## 10 Net Discount on Acquisition of Hongkong Land

During 2009, the Company acquired an additional 0.9% interest in Hongkong Land thereby increasing its holding to 50.01% by the end of June. For the purpose of these financial statements, 30th June 2009 was taken as the effective date of acquisition.

In accordance with IFRS 3 (revised 2008), the Group remeasured its previously held interest in Hongkong Land at the acquisition date fair value calculated by reference to the quoted share price on that date and recognized the resulting loss, including reclassification adjustments of amounts previously recognized in other comprehensive income, in profit and loss. The Group simultaneously recognized a discount on acquisition in profit and loss, being the excess of the fair value of identifiable net assets over the aggregate of the fair value of previously held interest and the fair value of consideration transferred (refer note 37(d)).

	US\$m
Discount on shares acquired prior to the date of acquisition	71
Fair value loss on remeasurement of previously held interest at the date of acquisition	(2,567)
Reclassification adjustments of other comprehensive income	63
Discount on acquisition	2,578
	<b>145</b>

## 11 Sale of Associates and Joint Ventures

An analysis of sale of associates and joint ventures is set out below:

	2010 US\$m	2009 US\$m
50% interest in Mandarin Oriental, Macau	–	79
Other	3	–
	<b>3</b>	<b>79</b>

## 12 Tax

	2010 US\$m	2009 US\$m
<b>Tax charged to profit and loss is analyzed as follows:</b>		
Current tax	<b>(709)</b>	(562)
Deferred tax	<b>(94)</b>	(5)
	<b>(803)</b>	(567)
Greater China	<b>(138)</b>	(82)
Southeast Asia	<b>(663)</b>	(467)
United Kingdom	<b>(3)</b>	(3)
Rest of the world	<b>1</b>	(15)
	<b>(803)</b>	(567)
<b>Reconciliation between tax expense and tax at the applicable tax rate*:</b>		
Tax at applicable tax rate	<b>(1,257)</b>	(841)
Income not subject to tax	<b>565</b>	362
Expenses not deductible for tax purposes	<b>(60)</b>	(58)
Tax losses and temporary differences not recognized	<b>(20)</b>	(14)
Utilization of previously unrecognized tax losses and temporary differences	<b>5</b>	4
Deferred tax assets written off	<b>(2)</b>	(1)
Deferred tax liabilities written back	<b>3</b>	–
Over provision in prior years	<b>–</b>	5
Withholding tax	<b>(37)</b>	(22)
Change in tax rates	<b>–</b>	(2)
	<b>(803)</b>	(567)
<b>Tax relating to components of other comprehensive income is analyzed as follows:</b>		
Revaluation of other investments	<b>–</b>	(1)
Actuarial valuation of employee benefit plans	<b>(4)</b>	(3)
Cash flow hedges	<b>(2)</b>	4
	<b>(6)</b>	–

Share of tax charge of Jardine Matheson of US\$24 million and US\$1 million (2009: US\$15 million and US\$2 million) are included in share of results of Jardine Matheson and share of other comprehensive income of Jardine Matheson, respectively. Share of tax charge of associates and joint ventures of US\$265 million and US\$2 million (2009: charge of US\$176 million and credit of US\$1 million) are included in share of results of associates and joint ventures and share of other comprehensive income of associates and joint ventures, respectively.

\*The applicable tax rate for the year was 18.9% (2009: 20.3%) and represents the weighted average of the rates of taxation prevailing in the territories in which the Group operates. The decrease in applicable tax rate was caused by a change in the geographic mix of the Group's profitability and a reduction in the income tax rate in Indonesia.

### 13 Earnings per Share

Basic earnings per share are calculated on profit attributable to shareholders of US\$3,535 million (2009: US\$1,988 million) and on the weighted average number of 621 million (2009: 621 million) shares in issue during the year.

Diluted earnings per share are calculated on profit attributable to shareholders of US\$3,438 million (2009: US\$1,957 million), which is after adjusting for the effects of the conversion of dilutive potential ordinary shares of Jardine Matheson, subsidiary undertakings, associates or joint ventures, and on the weighted average number of 621 million (2009: 621 million) shares in issue during the year.

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

	Ordinary shares in millions	
	2010	2009
Weighted average number of shares in issue	1,111	1,100
Company's share of shares held by Jardine Matheson	(490)	(479)
Weighted average number of shares for earnings per share calculation	621	621

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:

	2010			2009		
	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	3,535	5.69	5.54	1,988	3.20	3.15
Non-trading items (refer note 14)	(2,096)			(899)		
Underlying profit attributable to shareholders	1,439	2.32	2.30	1,089	1.75	1.74

## 14 Non-trading Items

	2010 US\$m	2009 US\$m
<b>By business:</b>		
Jardine Matheson	12	26
Hongkong Land	1,990	671
Dairy Farm	1	–
Mandarin Oriental	–	54
Jardine Cycle & Carriage	–	3
Astra	93	(12)
Corporate and other interests	–	157
	<b>2,096</b>	<b>899</b>
<b>An analysis of non-trading items after interest, tax and minority interests is set out below:</b>		
Increase in fair value of investment properties		
– Hongkong Land	1,990	525
– Jardine Matheson	10	12
– other	–	1
	<b>2,000</b>	<b>538</b>
Increase/(decrease) in fair value of plantations	87	(13)
Asset impairment	(1)	(11)
Sale and closure of businesses		
– 50% interest in Mandarin Oriental, Macau	–	58
– other	7	7
	<b>7</b>	<b>65</b>
Sale of investments	–	114
Sale of property interests	1	–
Value added tax recovery in Jardine Motors	–	1
Repurchase of convertible bonds in Hongkong Land	–	8
Net discount on acquisition of Hongkong Land	–	145
Restructuring of businesses	(2)	–
Restructuring of pension schemes	–	2
Derecognition of perpetual liabilities in Rothschilds Continuation*	–	49
Discount on acquisition of businesses	5	1
Costs on acquisition of businesses	(1)	–
	<b>2,096</b>	<b>899</b>

\*Fair value gain arising on reclassification of perpetual notes to equity following removal of the contractual obligation to repay principal or to pay interest on those notes.

## 15 Intangible Assets

	Goodwill US\$m	Franchise rights US\$m	Leasehold land US\$m	Concession rights US\$m	Other US\$m	Total US\$m
<b>2010</b>						
Cost						
– as previously reported	806	225	920	140	126	<b>2,217</b>
– change in accounting policy for adopting IAS 17 (amendment)	–	–	(387)	–	–	<b>(387)</b>
– as restated	806	225	533	140	126	<b>1,830</b>
Amortization and impairment						
– as previously reported	(2)	–	(90)	(5)	(53)	<b>(150)</b>
– change in accounting policy for adopting IAS 17 (amendment)	–	–	14	–	–	<b>14</b>
– as restated	(2)	–	(76)	(5)	(53)	<b>(136)</b>
Net book value at 1st January	804	225	457	135	73	<b>1,694</b>
Exchange differences	38	10	21	6	3	<b>78</b>
Additions	44	–	51	22	73	<b>190</b>
Disposals	–	–	(16)	–	–	<b>(16)</b>
Amortization	–	–	(19)	(4)	(33)	<b>(56)</b>
Impairment charge	(1)	–	–	–	(1)	<b>(2)</b>
Net book value at 31st December	<b>885</b>	<b>235</b>	<b>494</b>	<b>159</b>	<b>115</b>	<b>1,888</b>
Cost	888	235	592	168	206	<b>2,089</b>
Amortization and impairment	(3)	–	(98)	(9)	(91)	<b>(201)</b>
	<b>885</b>	<b>235</b>	<b>494</b>	<b>159</b>	<b>115</b>	<b>1,888</b>
<b>2009</b>						
Cost						
– as previously reported	744	193	834	108	79	1,958
– change in accounting policy for adopting IAS 17 (amendment)	–	–	(408)	–	–	(408)
– as restated	744	193	426	108	79	1,550
Amortization and impairment						
– as previously reported	(1)	–	(71)	(1)	(20)	(93)
– change in accounting policy for adopting IAS 17 (amendment)	–	–	14	–	–	14
– as restated	(1)	–	(57)	(1)	(20)	(79)
Net book value at 1st January	743	193	369	107	59	1,471
Exchange differences	64	32	59	18	6	179
Additions	–	–	43	14	35	92
Disposals	(2)	–	(3)	–	–	(5)
Amortization	–	–	(16)	(4)	(22)	(42)
Impairment charge	(1)	–	5	–	(5)	(1)
Net book value at 31st December	804	225	457	135	73	1,694
Cost	806	225	533	140	126	1,830
Amortization and impairment	(2)	–	(76)	(5)	(53)	(136)
	804	225	457	135	73	1,694

## 15 Intangible Assets *(continued)*

	2010	2009
	US\$m	US\$m
<b>Goodwill allocation by business:</b>		
Dairy Farm	<b>480</b>	414
Mandarin Oriental	<b>24</b>	24
Astra	<b>381</b>	366
	<b>885</b>	804

Goodwill relating to Dairy Farm is allocated to groups of cash-generating units identified by geographical segments. Cash flow projections for impairment reviews are based on budgets prepared on the basis of assumptions reflective of the prevailing market conditions, and are discounted appropriately. Key assumptions used for value-in-use calculations include budgeted gross margins of between 23% and 51% and growth rates of up to 6% to extrapolate cash flows, which vary across the group's business segments and geographical locations, over a five-year period, and are based on management expectations for the market development; and pre-tax discount rates of between 7% and 19% 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 these reviews, management concluded that no impairment is required.

Goodwill relating to Astra has been allocated to the operating segment of Astra. Accordingly, for the purpose of impairment review, 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 comprised automotive of US\$85 million and heavy equipment of US\$150 million, are not amortized 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 2010 and has concluded that no impairment is required. 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 of between 3% and 4%. Pre-tax discount rates of between 18% and 20%, reflecting business specific risks, are applied to the cash flow projections.

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

At 31st December 2010, the carrying amount of leasehold land pledged as security for borrowings amounted to US\$5 million (2009: US\$10 million) (refer note 34).

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

## 16 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>2010</b>							
Cost							
– as previously reported	497	1,202	611	272	2,048	1,337	<b>5,967</b>
– change in accounting policies for							
– owner-occupied properties	(89)	(145)	–	–	–	–	<b>(234)</b>
– adopting IAS 17 (amendment)	–	387	–	–	–	–	<b>387</b>
– as restated	408	1,444	611	272	2,048	1,337	<b>6,120</b>
Depreciation and impairment							
– as previously reported	(25)	(264)	(338)	(35)	(848)	(722)	<b>(2,232)</b>
– change in accounting policies for							
– owner-occupied properties	(3)	15	–	–	–	–	<b>12</b>
– adopting IAS 17 (amendment)	–	(14)	–	–	–	–	<b>(14)</b>
– as restated	(28)	(263)	(338)	(35)	(848)	(722)	<b>(2,234)</b>
Net book value at 1st January	380	1,181	273	237	1,200	615	<b>3,886</b>
Exchange differences	(2)	40	11	10	57	33	<b>149</b>
New subsidiary undertakings	–	15	2	–	2	1	<b>20</b>
Additions	61	137	81	15	508	377	<b>1,179</b>
Disposals	–	(8)	(3)	–	(5)	(12)	<b>(28)</b>
Transfer to investment properties, and stocks and work in progress	–	(1)	–	–	–	(27)	<b>(28)</b>
Depreciation charge	(5)	(55)	(57)	(15)	(354)	(188)	<b>(674)</b>
Classified as non-current assets held for sale	–	74	–	–	–	–	<b>74</b>
Net book value at 31st December	<b>434</b>	<b>1,383</b>	<b>307</b>	<b>247</b>	<b>1,408</b>	<b>799</b>	<b>4,578</b>
Cost							
Cost	480	1,703	705	299	2,606	1,605	<b>7,398</b>
Depreciation and impairment	(46)	(320)	(398)	(52)	(1,198)	(806)	<b>(2,820)</b>
	<b>434</b>	<b>1,383</b>	<b>307</b>	<b>247</b>	<b>1,408</b>	<b>799</b>	<b>4,578</b>

## 16 Tangible Assets *(continued)*

	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
<i>2009</i>							
Cost							
– as previously reported	481	1,010	545	232	1,430	1,111	4,809
– change in accounting policies for							
– owner-occupied properties	(104)	(118)	–	–	–	–	(222)
– adopting IAS 17 (amendment)	–	408	–	–	–	–	408
– as restated	377	1,300	545	232	1,430	1,111	4,995
Depreciation and impairment							
– as previously reported	(20)	(190)	(316)	(22)	(579)	(585)	(1,712)
– change in accounting policies for							
– owner-occupied properties	(3)	(4)	–	–	–	–	(7)
– adopting IAS 17 (amendment)	–	(14)	–	–	–	–	(14)
– as restated	(23)	(208)	(316)	(22)	(579)	(585)	(1,733)
Net book value at 1st January	354	1,092	229	210	851	526	3,262
Exchange differences	22	64	7	35	132	58	318
New subsidiary undertakings	–	–	–	–	–	7	7
Additions	25	139	88	–	477	215	944
Disposals	–	(1)	(2)	–	(4)	(11)	(18)
Transfer to investment properties, and stocks and work in progress	–	(3)	–	–	–	(23)	(26)
Depreciation charge	(4)	(42)	(49)	(8)	(254)	(154)	(511)
Impairment charge	–	–	–	–	(2)	(3)	(5)
Classified as non-current assets held for sale	(17)	(68)	–	–	–	–	(85)
Net book value at 31st December	380	1,181	273	237	1,200	615	3,886
Cost							
Depreciation and impairment	(28)	(263)	(338)	(35)	(848)	(722)	(2,234)
	380	1,181	273	237	1,200	615	3,886

Freehold properties include a hotel property of US\$102 million (*2009: US\$102 million*), which is stated net of a grant of US\$27 million (*2009: US\$28 million*).

Net book value of leasehold properties and plant and machinery acquired under finance leases amounted to US\$269 million and US\$89 million (*2009: US\$227 million and US\$91 million*), respectively.

At 31st December 2010, the carrying amount of tangible assets pledged as security for borrowings amounted to US\$949 million (*2009: US\$1,260 million*) (refer note 34).

## 17 Investment Properties

	Freehold properties US\$m	Leasehold properties US\$m	Total US\$m
<b>2010</b>			
At 1st January	12	14,829	<b>14,841</b>
Exchange differences	1	(7)	<b>(6)</b>
Additions	–	27	<b>27</b>
Transfer from tangible assets	–	1	<b>1</b>
Net increase in fair value	–	3,198	<b>3,198</b>
At 31st December	<b>13</b>	<b>18,048</b>	<b>18,061</b>
<b>2009</b>			
At 1st January	–	17	17
Exchange differences	–	11	11
New subsidiary undertakings	13	12,898	12,911
Additions	–	12	12
Disposals	–	(1)	(1)
Transfer from tangible assets	–	3	3
Net increase in fair value	(1)	1,889	1,888
At 31st December	12	14,829	14,841

The fair value of the Group's investment properties at 31st December 2010, which were principally held by Hongkong Land, has been determined on the basis of valuations carried out by independent valuers not related to the Group. Hongkong Land employed Jones Lang LaSalle to value its commercial investment properties. The valuations, which conform to the International Valuation Standards issued by the International Valuation Standards Committee and the HKIS Valuation Standards on Properties issued by the Hong Kong Institute of Surveyors, were arrived at by reference to the net income allowing for reversionary potential of each property.

Rental income from investment properties amounted to US\$678 million (2009: US\$337 million) including contingent rents of US\$10 million (2009: US\$4 million).

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

	2010 US\$m	2009 US\$m
Within one year	<b>602</b>	590
Between one and two years	<b>377</b>	400
Between two and five years	<b>402</b>	308
Beyond five years	<b>76</b>	75
	<b>1,457</b>	1,373

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

## 18 Plantations

The Group's plantation assets are primarily for the production of palm oil.

	2010 US\$m	2009 US\$m
<b><i>Movements of plantations for the year:</i></b>		
At 1st January	425	353
Exchange differences	24	59
Additions	94	77
Disposals	(11)	–
Net increase/(decrease) in fair value	422	(64)
At 31st December	954	425
Immature plantations	261	85
Mature plantations	693	340
	954	425

The plantations were valued internally at their fair values less point of sale costs using the discounted cash flow method. The major assumptions used in the valuation of the 207,095 (2009: 203,639) hectares of plantations are as follows:

	2010	2009
Crude palm oil price per tonne (US\$)	745	515
Annual price inflation (for the first five years) (%)	10	3
Annual cost inflation (for the first five years) (%)	6	8
Post-tax discount rates (%)	14	18

During the year, the Group harvested 3 million (2009: 3 million) tonnes of produce from the plantations with a fair value at the point of harvest less point of sale costs of US\$509 million (2009: US\$393 million).

## 19 Investment in Jardine Matheson

	2010 US\$m	2009 US\$m
Share of attributable net assets including own shares held	2,243	2,030
Own shares held ( <i>refer note 32</i> )	<u>(1,522)</u>	<u>(1,414)</u>
	721	616
Unrealized profit on intercompany transactions	<u>(5)</u>	<u>(5)</u>
Share of attributable net assets	716	611
Goodwill on acquisition	456	356
	<u>1,172</u>	967
Fair value	<b>15,494</b>	10,372
<b>Movements for the year:</b>		
At 1st January		
– as previously reported	962	793
– change in accounting policies for		
– owner-occupied properties	(21)	(21)
– adopting amendments to IAS 12	<u>26</u>	<u>24</u>
– as restated	967	796
Share of results after tax and minority interests	199	151
Share of other comprehensive income after tax and minority interests	9	29
Share of dividends of the Company ( <i>refer note 31</i> )	98	91
Dividends received	(328)	(255)
Share of employee share options granted	7	4
Change in attributable interests	328	255
Change in own shares held	(108)	(106)
Other	–	2
At 31st December	<b>1,172</b>	967

## 20 Associates and Joint Ventures

	2010 US\$m	2009 US\$m
Listed associates		
– OHTL	17	16
– other	60	41
	77	57
Unlisted associates	701	557
	778	614
Listed joint venture – Bank Permata	441	282
Unlisted joint ventures	4,453	3,420
	4,894	3,702
Share of attributable net assets	5,672	4,316
Unrealized profit on intercompany transactions	(1)	(1)
Goodwill on acquisition	178	153
	5,849	4,468
<b><i>By business:</i></b>		
Hongkong Land	3,177	2,355
Dairy Farm	162	147
Mandarin Oriental	80	70
Jardine Cycle & Carriage	183	163
Astra	2,025	1,529
Corporate and other interests	223	205
Unrealized profit on intercompany transactions	(1)	(1)
	5,849	4,468
<b><i>Movements of associates and joint ventures for the year:</i></b>		
At 1st January		
– as previously reported	4,499	7,440
– change in accounting policies for		
– owner-occupied properties	(78)	(87)
– adopting amendments to IAS 12	47	952
– as restated	4,468	8,305
Share of results after tax and minority interests	1,549	209
Discount on acquisition of associates and joint ventures	(11)	(3)
Share of other comprehensive income after tax and minority interests	248	229
Dividends received	(606)	(301)
New subsidiary undertakings	–	2,028
Acquisitions and increases in attributable interests	473	389
Disposals and decreases in attributable interests	(275)	(23)
Reclassification of Hongkong Land as a subsidiary undertaking	–	(6,334)
Reclassification of other associates and joint ventures as subsidiary undertakings	–	(29)
Other	3	(2)
At 31st December	5,849	4,468
Fair value of listed associates	239	172
Fair value of listed joint venture	801	293

**20 Associates and Joint Ventures** (continued)

The Group's share of assets, liabilities, capital commitments, contingent liabilities and results of associates and joint ventures are summarized below:

	2010 US\$m	2009 US\$m
<b>Associates</b>		
Total assets	<b>3,178</b>	2,999
Total liabilities	<b>(2,267)</b>	(2,252)
Total equity	<b>911</b>	747
Attributable to minority interests	<b>(133)</b>	(133)
Attributable net assets	<b>778</b>	614
Revenue	<b>2,417</b>	2,049
Profit/(loss) after tax	<b>186</b>	(135)
Capital commitments	<b>165</b>	142
Contingent liabilities	–	9
<b>Joint ventures</b>		
Non-current assets	<b>4,618</b>	3,191
Current assets	<b>5,799</b>	4,634
Non-current liabilities	<b>(1,041)</b>	(757)
Current liabilities	<b>(4,475)</b>	(3,360)
Total equity	<b>4,901</b>	3,708
Attributable to minority interests	<b>(7)</b>	(6)
Attributable net assets	<b>4,894</b>	3,702
Revenue	<b>6,126</b>	4,117
Profit after tax	<b>1,391</b>	363
Capital commitments	<b>133</b>	196
Contingent liabilities	<b>125</b>	104

## 21 Other Investments

	2010 US\$m	2009 US\$m
Available-for-sale financial assets		
Listed securities		
– Asia Commercial Bank	91	114
– Schindler Holdings	152	96
– Tata Power	212	206
– The Bank of N.T. Butterfield & Son	30	15
– other	426	314
	911	745
Unlisted securities	100	61
	1,011	806
Held-to-maturity financial assets		
Listed securities	13	14
	1,024	820
Non-current	1,018	817
Current	6	3
	1,024	820
<b><i>Analysis by geographical area of operation:</i></b>		
Greater China	70	56
Southeast Asia	720	633
Rest of the world	234	131
	1,024	820
<b><i>Movements for the year:</i></b>		
At 1st January	820	566
Exchange differences	16	32
Additions	231	311
Disposals and capital repayments	(110)	(249)
Net revaluation surplus	67	160
At 31st December	1,024	820

The fair value measurements of available-for-sale financial assets are based on the following data:

	2010 US\$m	2009 US\$m
Quoted prices in active markets	911	745
Observable current market transactions	5	5
Unobservable inputs	95	56
	1,011	806

## 21 Other Investments *(continued)*

Movements of available-for-sale financial assets which are valued based on unobservable inputs are as follows:

	2010 US\$m	2009 US\$m
At 1st January	56	209
Exchange differences	4	3
Additions	36	–
Disposals	–	(158)
Reclassification as associates and joint ventures	–	(2)
Net revaluation (deficit)/surplus	(1)	4
At 31st December	95	56

Profit on sale of these financial assets during 2009 amounted to US\$130 million was credited to profit and loss.

The fair value of held-to-maturity financial assets is US\$13 million (2009: US\$14 million).

## 22 Debtors

	2010 US\$m	2009 US\$m
Consumer financing debtors		
– gross	2,971	1,979
– provision for impairment	(178)	(133)
	2,793	1,846
Financing lease receivables		
– net investment	548	373
– provision for impairment	(15)	(13)
	533	360
Trade debtors		
– third parties	1,187	962
– associates and joint ventures	49	36
	1,236	998
– provision for impairment	(17)	(20)
	1,219	978
Other debtors		
– third parties	866	730
– associates and joint ventures	156	199
	1,022	929
– provision for impairment	(13)	(11)
	1,009	918
	5,554	4,102
Non-current	1,889	1,370
Current	3,665	2,732
	5,554	4,102
<b>Analysis by geographical area of operation:</b>		
Greater China	314	334
Southeast Asia	5,195	3,722
United Kingdom	7	10
Rest of the world	38	36
	5,554	4,102

## 22 Debtors (continued)

	2010 US\$m	2009 US\$m
<b>Fair value:</b>		
Consumer financing debtors	2,929	2,020
Financing lease receivables	485	333
Trade debtors	1,219	978
Other debtors	993	898
	<b>5,626</b>	<b>4,229</b>

### Consumer financing debtors

The consumer financing debtors relate primarily to Astra's motor vehicle and motorcycle financing. Before accepting any new customer, the group assesses the potential customer's credit quality and sets credit limits by customer using internal grading systems. The group obtains collateral in the form of motor vehicles and motorcycles from consumer financing debtors who give the group the right to sell the repossessed collateral or take any other action to settle the outstanding debt.

The loan period ranges from 12 to 36 months for both motor vehicles and motorcycles. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payment are considered indicators that the debtor is impaired. An allowance for impairment is made based on an assessment with reference to historical loss experience and when there is an objective evidence that the outstanding amounts will probably not be collected. Assets are repossessed if monthly instalments are overdue for 30 days for motor vehicles and 60 days for motorcycles. Management has considered the balances against which collective impairment provision is made as impaired.

The maturity analysis of consumer financing debtors, including related finance income, at 31st December is as follows:

	2010 US\$m	2009 US\$m
Within one year	2,192	1,453
Between one and two years	1,032	797
Between two and five years	653	434
Beyond five years	–	2
	<b>3,877</b>	<b>2,686</b>

### Financing lease receivables

An analysis of financing lease receivables is set out below:

	2010 US\$m	2009 US\$m
Lease receivables	630	431
Guaranteed residual value	185	136
Security deposits	(185)	(136)
Gross investment	630	431
Unearned lease income	(82)	(58)
Net investment	<b>548</b>	<b>373</b>

## 22 Debtors (continued)

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

	2010		2009	
	Gross investment	Net investment	Gross investment	Net investment
	US\$m	US\$m	US\$m	US\$m
Within one year	348	291	243	202
Between one and two years	205	184	137	122
Between two and five years	77	73	45	43
Beyond five years	–	–	6	6
	<b>630</b>	<b>548</b>	431	373

### Trade debtors

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

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

At 31st December 2010, trade debtors of US\$18 million (2009: US\$28 million) were impaired. The amount of the provision was US\$17 million (2009: US\$20 million). It was assessed that a portion of the debtors is expected to be recovered. The ageing analysis of these trade debtors is as follows:

	2010	2009
	US\$m	US\$m
Below 30 days	1	8
Between 31 and 60 days	–	1
Between 61 and 90 days	–	1
Over 90 days	17	18
	<b>18</b>	28

At 31st December 2010, trade debtors of US\$327 million (2009: US\$232 million) were past due but not impaired. The ageing analysis of these trade debtors is as follows:

	2010	2009
	US\$m	US\$m
Below 30 days	166	153
Between 31 and 60 days	88	44
Between 61 and 90 days	43	15
Over 90 days	30	20
	<b>327</b>	232

The risk of trade debtors that are neither past due nor impaired at 31st December 2010 becoming impaired is low as they have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

## 22 Debtors (continued)

### Other debtors

Other debtors are further analyzed as follows:

	2010 US\$m	2009 US\$m
Prepayments	337	289
Rental and other deposits	130	113
Mezzanine loans	5	3
Derivative financial instruments	62	68
Restricted bank balances and deposits (refer note 27)	10	1
Loans to employees	31	27
Amount due from Jardine Matheson	1	1
Other amounts due from associates and joint ventures	153	196
Repossessed assets of finance companies	17	12
Reinsurers' share of estimated losses on insurance contracts	41	36
Other	222	172
	<b>1,009</b>	<b>918</b>

Movements on the provision for impairment are as follows:

	Consumer financing debtors		Financing lease receivables		Trade debtors		Other debtors	
	2010 US\$m	2009 US\$m	2010 US\$m	2009 US\$m	2010 US\$m	2009 US\$m	2010 US\$m	2009 US\$m
At 1st January	(133)	(109)	(13)	(9)	(20)	(17)	(11)	(2)
Exchange differences	(6)	(19)	(1)	(2)	(1)	(2)	-	(1)
Additional provisions	(101)	(70)	(1)	(2)	(3)	(3)	(2)	(8)
Unused amounts								
reversed	-	12	-	-	1	1	-	-
Amounts written off	62	53	-	-	6	1	-	-
At 31st December	(178)	(133)	(15)	(13)	(17)	(20)	(13)	(11)

Restricted bank balances and deposits comprise cash and time deposits which are either restricted for interest payments or placed as margin deposits for letter of credit facilities obtained by certain subsidiary undertakings and guarantee deposits to third parties.

Repossessed assets of finance companies represent collateral obtained from customers towards settlement of automobile and motorcycle receivables which are in default. The fair value of the collateral held amounted to US\$17 million (2009: US\$12 million). The finance company is given the right by the customers to sell the repossessed collateral. Any excess of proceeds from the sale over the outstanding receivables is refunded to the customer.

Debtors other than derivative financial instruments are stated at amortized cost. The fair value of these debtors are estimated using the expected future receipts discounted at market rates ranging from 7% to 29% (2009: 7% to 33%) per annum. Derivative financial instruments are stated at fair value.

At 31st December 2010, the carrying amount of consumer financing debtors, financing lease receivables and trade debtors pledged as security for borrowings amounted to US\$1,376 million, US\$332 million and US\$1 million (2009: US\$859 million, US\$189 million and US\$1 million), respectively (refer note 34).

## 23 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>2010</b>						
At 1st January						
– as previously reported	(130)	(2,460)	16	28	52	<b>(2,494)</b>
– change in accounting policies for						
– owner-occupied properties	(6)	60	–	–	(1)	<b>53</b>
– adopting amendments to IAS 12	–	2,133	–	–	–	<b>2,133</b>
– as restated	(136)	(267)	16	28	51	<b>(308)</b>
Exchange differences	(3)	(12)	–	2	3	<b>(10)</b>
Subsidiary undertakings disposed of	–	(5)	–	–	–	<b>(5)</b>
Charged to profit and loss	(24)	(105)	1	3	31	<b>(94)</b>
Charged to other comprehensive income	–	(2)	–	(4)	–	<b>(6)</b>
At 31st December	<b>(163)</b>	<b>(391)</b>	<b>17</b>	<b>29</b>	<b>85</b>	<b>(423)</b>
Deferred tax assets	50	(57)	15	25	88	<b>121</b>
Deferred tax liabilities	(213)	(334)	2	4	(3)	<b>(544)</b>
	<b>(163)</b>	<b>(391)</b>	<b>17</b>	<b>29</b>	<b>85</b>	<b>(423)</b>
<b>2009</b>						
At 1st January						
– as previously reported	(80)	(320)	17	23	63	(297)
– change in accounting policies for owner-occupied properties	(2)	60	–	–	(1)	57
– as restated	(82)	(260)	17	23	62	(240)
Exchange differences	(5)	(31)	1	4	8	(23)
New subsidiary undertakings	(40)	–	–	(1)	1	(40)
Charged to profit and loss	(9)	21	(2)	5	(20)	(5)
Charged to other comprehensive income	–	3	–	(3)	–	–
At 31st December	(136)	(267)	16	28	51	(308)
Deferred tax assets	28	5	15	18	46	112
Deferred tax liabilities	(164)	(272)	1	10	5	(420)
	(136)	(267)	16	28	51	(308)

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\$70 million (2009: US\$59 million) arising from unused tax losses of US\$299 million (2009: US\$262 million) have not been recognized in the financial statements. Included in the unused tax losses, US\$137 million have no expiry date and the balance will expire at various dates up to and including 2018.

Deferred tax liabilities of US\$228 million (2009: US\$163 million) on temporary differences associated with investments in subsidiary undertakings of US\$2,283 million (2009: US\$1,633 million) have not been recognized as there is no current intention of remitting the retained earnings to the holding companies.

## 24 Pension Plans

The Group has a number of defined benefit pension plans, covering all the main territories in which it operates with the major plans relating to employees in Hong Kong and Southeast Asia. Most of the pension plans are final salary defined benefit plans and are either funded or unfunded. The assets of the funded plans are held independently of the Group's assets in separate trustee administered funds. The Group's major plans are valued by independent actuaries annually using the projected unit credit method.

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

	2010 Weighted average %	2009 Weighted average %
Discount rate applied to pension obligations	6.7	7.5
Expected return on plan assets	8.2	8.0
Future salary increases	6.7	6.8

The expected return on plan assets is determined on the basis of long-term average returns on global equities of 4.3% to 11.4% per annum and global bonds of 3.6% to 10% per annum, and the long-term benchmark allocation of assets between equities and bonds in each plan.

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

	2010 US\$m	2009 US\$m
Fair value of plan assets	376	330
Present value of funded obligations	(314)	(289)
	62	41
Present value of unfunded obligations	(163)	(138)
Unrecognized past service cost	17	15
Net pension liabilities	(84)	(82)
<b><i>Analysis of net pension liabilities:</i></b>		
Pension assets	57	51
Pension liabilities	(141)	(133)
	(84)	(82)
<b><i>Movements in the fair value of plan assets:</i></b>		
At 1st January	330	221
Exchange differences	3	10
New subsidiary undertakings	–	25
Expected return on plan assets	25	20
Actuarial gains	21	55
Contributions from sponsoring companies	23	20
Contributions from plan members	2	2
Benefits paid	(24)	(21)
Curtailment and settlement	–	(3)
Transfer (to)/from other plans	(4)	1
At 31st December	376	330

**24 Pension Plans** (continued)

	<b>2010</b>	2009
	US\$m	US\$m
<b>Movements in the present value of obligations:</b>		
At 1st January	<b>(427)</b>	(313)
Exchange differences	<b>(15)</b>	(29)
New subsidiary undertakings	–	(19)
Subsidiary undertakings disposed of	<b>1</b>	–
Current service cost	<b>(35)</b>	(30)
Interest cost	<b>(32)</b>	(28)
Contributions from plan members	<b>(2)</b>	(2)
Actuarial losses	<b>(3)</b>	(32)
Benefits paid	<b>24</b>	21
Settlement of unfunded obligations	<b>8</b>	3
Curtailment and settlement	–	3
Transfer to/(from) other plans	<b>4</b>	(1)
At 31st December	<b>(477)</b>	(427)

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

	<b>2010</b>	2009
	US\$m	US\$m
Equity instruments	<b>190</b>	161
Debt instruments	<b>129</b>	108
Other assets	<b>57</b>	61
	<b>376</b>	330

The five year history of experience adjustments is as follows:

	<b>2010</b>	2009	2008	2007	2006
	US\$m	US\$m	US\$m	US\$m	US\$m
Fair value of plan assets	<b>376</b>	330	221	328	285
Present value of obligations	<b>(477)</b>	(427)	(313)	(306)	(281)
(Deficit)/surplus	<b>(101)</b>	(97)	(92)	22	4
Experience adjustments on plan assets	<b>21</b>	57	(109)	23	23
Percentage of plan assets (%)	<b>6</b>	17	(49)	7	8
Experience adjustments on plan obligations	<b>17</b>	(22)	1	3	–
Percentage of plan obligations (%)	<b>3</b>	(5)	–	1	–

The estimated amount of contributions expected to be paid to the plans in 2011 is US\$23 million.

## 24 Pension Plans *(continued)*

The amounts recognized in profit and loss are as follows:

	2010 US\$m	2009 US\$m
Current service cost	35	30
Interest cost	32	28
Expected return on plan assets	(25)	(20)
Past service cost	2	2
	44	40
Actual return on plan assets in the year	46	75

The above amounts are all recognized in arriving at operating profit and are included in cost of sales, selling and distribution costs and administration expenses.

## 25 Properties for Sale

	2010 US\$m	2009 US\$m
Properties in the course of development	987	690
Completed properties	197	97
	1,184	787

At 31st December 2010, the carrying amount of properties for sale pledged as security for borrowings amounted to US\$405 million (2009: US\$290 million) (refer note 34).

## 26 Stocks and Work in Progress

	2010 US\$m	2009 US\$m
Finished goods	1,865	1,439
Work in progress	25	22
Raw materials	65	33
Spare parts	97	60
Other	80	57
	2,132	1,611

At 31st December 2010, the Group's stocks and work in progress were not pledged as security for borrowings. At 31st December 2009, the carrying amount of stocks and work in progress pledged as security for borrowings amounted to US\$3 million (refer note 34).

## 27 Bank Balances and Other Liquid Funds

	2010 US\$m	2009 US\$m
Deposits with banks and financial institutions	3,168	3,118
Bank balances	642	486
Cash balances	93	74
	<b>3,903</b>	3,678
Less restricted bank balances and deposits ( <i>refer note 22</i> )	(10)	(1)
	<b>3,893</b>	3,677
<b>Analysis by currency:</b>		
Chinese renminbi	71	19
Euro	13	8
Hong Kong dollar	608	121
Indonesian rupiah	623	596
Japanese yen	24	6
Malaysian ringgit	57	37
New Taiwan dollar	3	4
Singapore dollar	349	293
Thailand baht	1	1
United Kingdom sterling	12	18
United States dollar	2,120	2,555
Other	12	19
	<b>3,893</b>	3,677

The weighted average interest rate on deposits with banks and financial institutions is 1.3% (2009: 1.5%) per annum.

## 28 Non-current Assets Classified as Held for Sale

The major classes of assets classified as held for sale are set out below:

	2010 US\$m	2009 US\$m
Intangible assets	–	48
Tangible assets	–	57
Total assets	–	105

At 31st December 2009, the non-current assets classified as held for sale comprised Dairy Farm's interest in a retail property and a distribution centre in Malaysia. The retail property was sold during the year. The distribution centre with a carrying value of US\$74 million remained unsold and was reclassified to tangible assets.

## 29 Share Capital

	2010 US\$m	2009 US\$m
<b>Authorized:</b>		
1,500,000,000 shares of US¢5 each	75	75
1,000,000 shares of US\$800 each	800	800
	<b>875</b>	875

	Ordinary shares in millions		2010 US\$m	2009 US\$m
	2010	2009		
<b>Issued and fully-paid shares of US¢5 each:</b>				
At 1st January	1,107	1,093	56	55
Scrip issued in lieu of dividends	8	14	–	1
At 31st December	<b>1,115</b>	1,107	<b>56</b>	56

## 30 Share Premium and Capital Reserves

	Share premium US\$m	Capital reserves US\$m	Total US\$m
<b>2010</b>			
At 1st January	1,208	137	<b>1,345</b>
Repurchase of shares	(9)	–	<b>(9)</b>
Value of employee services under share option schemes	–	10	<b>10</b>
At 31st December	<b>1,199</b>	<b>147</b>	<b>1,346</b>
<b>2009</b>			
At 1st January	1,209	129	1,338
Capitalization arising on scrip issued in lieu of dividends	(1)	–	(1)
Value of employee services under share option schemes	–	8	8
At 31st December	1,208	137	1,345

Capital reserves include US\$104 million (2009: US\$104 million) representing the share capital and share premium of Jardine Securities Limited, the holding company of the Group prior to the reorganization in 1987 when Jardine Strategic Holdings Limited became the new holding company and are non-distributable. The balance represents the value of employee services under the Group's employee share option schemes.

### 31 Dividends

	2010 US\$m	2009 US\$m
Final dividend in respect of 2009 of US\$14.00 (2008: US\$13.10) per share	155	143
Interim dividend in respect of 2010 of US\$6.00 (2009: US\$6.00) per share	67	66
	<b>222</b>	209
Company's share of dividends paid on the shares held by Jardine Matheson	(98)	(91)
	<b>124</b>	118
<b>Shareholders elected to receive scrip in respect of the following:</b>		
Final dividend in respect of previous year	129	121
Interim dividend in respect of current year	56	55
	<b>185</b>	176

A final dividend in respect of 2010 of US\$15.00 (2009: US\$14.00) per share amounting to a total of US\$167 million (2009: US\$155 million) is proposed by the Board. The dividend proposed will not be accounted for until it has been approved at the Annual General Meeting. The net amount after deducting the Company's share of the dividends payable on the shares held by Jardine Matheson of US\$74 million (2009: US\$68 million) will be accounted for as an appropriation of revenue reserves in the year ending 31st December 2011.

### 32 Own Shares Held

Own shares held of US\$1,522 million (2009: US\$1,414 million) represent the Company's share of the cost of 908 million (2009: 900 million) ordinary shares in the Company held by Jardine Matheson and are deducted in arriving at shareholders' funds.

### 33 Minority Interests

	2010 US\$m	2009 US\$m
<b>By business:</b>		
Hongkong Land	9,613	7,603
Dairy Farm	164	119
Mandarin Oriental	247	247
Jardine Cycle & Carriage	137	111
Astra	5,285	4,185
	<b>15,446</b>	12,265

## 34 Borrowings

	2010		2009	
	Carrying amount US\$m	Fair value US\$m	Carrying amount US\$m	Fair value US\$m
Current				
– bank overdrafts	4	4	14	14
– other bank advances	603	603	348	348
– other advances	3	3	7	7
	<b>610</b>	<b>610</b>	369	369
Current portion of long-term borrowings				
– bank loans	1,196	1,196	748	748
– bonds and notes	1,315	1,315	536	536
– finance lease liabilities	36	36	23	23
– other loans	100	100	67	67
	<b>2,647</b>	<b>2,647</b>	1,374	1,374
	<b>3,257</b>	<b>3,257</b>	1,743	1,743
Long-term borrowings				
– bank loans	2,375	2,386	2,866	2,856
– bonds and notes	2,829	2,810	2,706	2,734
– finance lease liabilities	47	47	39	39
– other loans	78	78	130	129
	<b>5,329</b>	<b>5,321</b>	5,741	5,758
	<b>8,586</b>	<b>8,578</b>	7,484	7,501

The fair values are based on market prices or are estimated using the expected future payments discounted at market interest rates ranging from 0.4% to 12.8% (2009: 0.4% to 15.5%) per annum. The fair value of current borrowings approximates their carrying amount, as the impact of discounting is not significant.

	2010 US\$m	2009 US\$m
Secured	<b>3,438</b>	2,638
Unsecured	<b>5,148</b>	4,846
	<b>8,586</b>	7,484

Secured borrowings at 31st December 2010 included Hongkong Land's bank borrowings of US\$41 million (2009: US\$100 million) which were secured against its properties for sale, Mandarin Oriental's bank borrowings of US\$542 million (2009: US\$645 million) which were secured against its tangible assets, and Astra's bonds of US\$808 million (2009: US\$730 million) which were secured against its various assets as described below and bank borrowings of US\$2,046 million (2009: US\$1,160 million) which were secured against its various assets.

**34 Borrowings** (continued)

	Weighted average interest rates %	Fixed rate borrowings		Floating rate borrowings US\$m	Total US\$m
		Weighted average period outstanding Years	US\$m		
<b>By currency:</b>					
<b>2010</b>					
Chinese renminbi	5.0	–	–	37	<b>37</b>
Euro	5.9	2.7	10	–	<b>10</b>
Hong Kong dollar	2.7	7.4	1,450	1,380	<b>2,830</b>
Indonesian rupiah	10.2	1.5	2,197	578	<b>2,775</b>
Japanese yen	0.8	–	–	33	<b>33</b>
Malaysian ringgit	4.4	1.5	155	133	<b>288</b>
New Taiwan dollar	2.4	0.9	34	9	<b>43</b>
Singapore dollar	2.7	4.9	711	238	<b>949</b>
Swiss franc	1.8	21.3	2	43	<b>45</b>
United Kingdom sterling	2.8	3.5	32	96	<b>128</b>
United States dollar	4.4	1.6	981	461	<b>1,442</b>
Other	1.8	–	–	6	<b>6</b>
			<b>5,572</b>	<b>3,014</b>	<b>8,586</b>
<b>2009</b>					
Chinese renminbi	5.3	–	–	29	29
Euro	5.9	3.8	12	–	12
Hong Kong dollar	2.4	2.3	1,112	1,355	2,467
Indonesian rupiah	12.0	1.3	1,498	360	1,858
Japanese yen	0.8	–	–	24	24
Malaysian ringgit	4.3	1.4	161	114	275
New Taiwan dollar	2.4	1.7	40	21	61
Singapore dollar	2.1	3.9	613	695	1,308
Swiss franc	2.0	22.7	2	43	45
United Kingdom sterling	2.8	4.7	33	101	134
United States dollar	5.1	2.3	1,008	259	1,267
Other	2.0	–	–	4	4
			<b>4,479</b>	<b>3,005</b>	<b>7,484</b>

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

### 34 Borrowings *(continued)*

The remaining contractual maturities of the borrowings, including related interest payments, are analyzed below. The interest payments are computed using contractual rates and, in the case of floating rate borrowings, based on market rates at the balance sheet date before taking into account hedging transactions. Cash flows denominated in currencies other than United States dollars are translated into United States dollars at the rates of exchange ruling at the balance sheet date.

	<b>2010</b>	2009
	US\$m	US\$m
Within one year	<b>3,635</b>	2,031
Between one and two years	<b>1,772</b>	2,089
Between two and three years	<b>1,202</b>	1,305
Between three and four years	<b>1,216</b>	1,087
Between four and five years	<b>431</b>	1,153
Beyond five years	<b>1,783</b>	549
	<b>10,039</b>	8,214

The finance lease liabilities are as follows:

	Minimum lease payments		Present value of finance lease liabilities	
	<b>2010</b>	2009	<b>2010</b>	2009
	US\$m	US\$m	US\$m	US\$m
Within one year	<b>39</b>	25	<b>36</b>	23
Between one and five years	<b>48</b>	41	<b>47</b>	39
	<b>87</b>	66	<b>83</b>	62
Future finance charges on finance leases	<b>(4)</b>	(4)		
Present value of finance lease liabilities	<b>83</b>	62		
Current			<b>36</b>	23
Non-current			<b>47</b>	39
			<b>83</b>	62

**34 Borrowings** (continued)

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

	2010		2009	
	Current US\$m	Non-current US\$m	Current US\$m	Non-current US\$m
Jardine Strategic 6.375% guaranteed bonds	276	–	–	284
Hongkong Land 7% bonds	605	–	–	619
Hongkong Land 5.5% bonds	–	548	–	537
Hongkong Land 3.01% notes	–	–	234	–
Hongkong Land 3.65% notes	–	293	–	269
Hongkong Land 2.75% convertible bonds	–	374	–	370
Hongkong Land 4.135% notes	–	25	–	25
Hongkong Land 4.1875% notes	–	39	–	39
Hongkong Land 4.25% notes	–	39	–	39
Hongkong Land 4.28% notes	–	63	–	61
Hongkong Land 3.86% notes	–	39	–	35
Hongkong Land 4.22% notes	–	64	–	–
Hongkong Land 5.25% notes	–	32	–	–
Hongkong Land 4.24% notes	–	64	–	–
Hongkong Land 3.43% notes	–	116	–	–
Hongkong Land 3.95% notes	–	64	–	–
Hongkong Land 4.1% notes	–	38	–	–
Hongkong Land 4.11% notes	–	103	–	–
Hongkong Land 4.5% notes	–	554	–	–
Astra Sedaya Finance VI bonds	–	–	5	–
Astra Sedaya Finance VIII bonds	22	–	38	21
Astra Sedaya Finance IX bonds	36	–	21	39
Astra Sedaya Finance X bonds	15	23	52	42
Astra Sedaya Finance XI bonds	48	108	–	–
Astra Sedaya Finance I notes	75	–	12	74
Astra Sedaya Finance II notes	51	–	34	49
Federal International Finance VII bonds	37	–	29	35
Federal International Finance VIII bonds	36	–	18	38
Federal International Finance IX bonds	10	48	39	67
Federal International Finance X bonds	33	122	–	–
Federal International Finance I notes	–	–	53	–
Federal International Finance II notes	56	–	–	53
Federal International Finance III notes	–	33	–	–
Serasi Auto Raya I notes	11	–	1	10
Serasi Auto Raya II notes	4	7	–	–
Surya Artha Nusantara Finance I notes	–	33	–	–
	<b>1,315</b>	<b>2,829</b>	536	2,706

## 34 Borrowings (continued)

The Jardine Strategic 6.375% guaranteed bonds with a nominal value of US\$268 million were issued by a wholly-owned subsidiary undertaking of the Company and are guaranteed by the Company. The bonds will mature on 8th November 2011.

The Hongkong Land 7% bonds with a nominal value of US\$600 million were issued by a wholly-owned subsidiary undertaking of Hongkong Land. The bonds will mature on 3rd May 2011.

The Hongkong Land 5.5% bonds with a nominal value of US\$500 million were issued by a wholly-owned subsidiary undertaking of Hongkong Land. The bonds will mature on 28th April 2014.

The Hongkong Land 3.01% notes and 3.65% notes with nominal values of S\$325 million and S\$375 million, respectively, were issued by a wholly-owned subsidiary undertaking of Hongkong Land. The notes matured on 4th October 2010 and will mature on 5th October 2015, respectively.

The Hongkong Land 2.75% convertible bonds with a nominal value of US\$400 million were issued by a wholly-owned subsidiary undertaking of Hongkong Land. The bonds are convertible up to and including 11th December 2012 into fully-paid ordinary shares of Hongkong Land at a conversion price of US\$3.85 per ordinary share. The bonds will mature on 21st December 2012.

The Hongkong Land 4.135%, 4.1875%, 4.25%, 4.28%, 3.86%, 4.22%, 5.25%, 4.24%, 3.43%, 3.95%, 4.1%, 4.11% and 4.5% notes, with nominal values of HK\$200 million, HK\$300 million, HK\$300 million, HK\$500 million, S\$50 million, HK\$500 million, HK\$250 million, HK\$500 million, S\$150 million, HK\$500 million, HK\$300 million, HK\$800 million and US\$600 million, respectively, were issued by a wholly-owned subsidiary undertaking of Hongkong Land under its US\$3,000 million guaranteed medium term note programme. The notes will mature on 17th September 2019, 23rd October 2019, 25th November 2019, 20th December 2021, 29th December 2017, 26th February 2020, 18th March 2040, 19th March 2020, 14th May 2020, 8th June 2020, 28th July 2025, 13th September 2030 and 7th October 2025, respectively.

The Astra Sedaya Finance, VIII, IX, X and XI bonds, with nominal values of Rp200 billion, Rp366 billion, Rp394 billion and Rp1,500 billion, respectively, and bearing interest at 10.35%, 10.13% to 10.3%, 14.56% to 14.9% and 8.47% to 10.9% per annum, respectively, were issued by a wholly-owned subsidiary undertaking of Astra and are collateralized by fiduciary guarantee over consumer financing debtors of the subsidiary undertaking amounting to 60% of the total outstanding principal of the bonds (*refer note 22*). The bonds will mature in 2011, 2011, from 2011 to 2012 and from 2011 to 2014, respectively.

The Astra Sedaya Finance I and II notes, with nominal values of Rp690 billion and Rp460 billion, respectively, and bearing interest at 11.2% to 11.75% and 10.5% per annum, respectively, were issued by a wholly-owned subsidiary undertaking of Astra and are collateralized by fiduciary guarantee over consumer financing debtors of the subsidiary undertaking amounting to 60% of the total outstanding principal of the notes (*refer note 22*). The notes will mature in 2011.

The Federal International Finance VII, VIII, IX and X bonds, with nominal values of Rp350 billion, Rp360 billion, Rp635 billion and Rp1,500 billion, respectively, and bearing interest at 10.75%, 12.63%, 13.55% to 14.6% and 8.1% to 10.55% per annum, respectively, were issued by a wholly-owned subsidiary undertaking of Astra and are collateralized by fiduciary guarantee over consumer financing debtors of the subsidiary undertaking amounting to 60% of the total outstanding principal of the bonds (*refer note 22*). The bonds will mature in 2011, 2011, from 2011 to 2012 and from 2011 to 2014, respectively.

The Federal International Finance II and III notes, with nominal values of Rp500 billion and Rp300 billion, respectively, and bearing interest at 11.35% and 10.5% per annum, respectively, were issued by a wholly-owned subsidiary undertaking of Astra and are collateralized by fiduciary guarantee over consumer financing debtors of the subsidiary undertaking amounting to 60% of the total outstanding principal of the notes (*refer note 22*). The notes will mature in 2011 and 2012, respectively.

The Serasi Auto Raya I and II notes, with nominal values of Rp100 billion and Rp100 billion, respectively, and bearing interest at 11.5% per annum were issued by a wholly-owned subsidiary undertaking of Astra and are secured by fiduciary guarantee over tangible assets of the subsidiary undertaking amounting to 80% of the total outstanding principal of the notes (*refer note 16*). The notes will mature in 2011 and from 2011 to 2012, respectively.

The Surya Artha Nusantara Finance I notes, with a nominal value of Rp300 billion and bearing interest at 11.38% per annum were issued by a partly-owned subsidiary undertaking of Astra and are secured by fiduciary guarantee over net investment in finance leases of the subsidiary undertaking amounting to 100% of the total outstanding principal of the notes (*refer note 22*). The notes will mature in 2012.

### 35 Creditors

	2010 US\$m	2009 US\$m
Trade creditors		
– third parties	2,369	1,879
– associates and joint ventures	229	187
	2,598	2,066
Accruals	1,114	1,060
Amounts due to Jardine Matheson	27	18
Other amounts due to associates and joint ventures	5	84
Rental and other refundable deposits	372	296
Derivative financial instruments	109	58
Other creditors	276	123
Financial liabilities	4,501	3,705
Gross estimated losses on insurance contracts	92	75
Proceeds from properties for sale received in advance	280	219
Rental income received in advance	16	10
Other income received in advance	26	24
Unearned premiums on insurance contracts	248	185
	5,163	4,218
Non-current	211	154
Current	4,952	4,064
	5,163	4,218
<b>Analysis by geographical area of operation:</b>		
Greater China	1,433	1,317
Southeast Asia	3,610	2,801
United Kingdom	14	12
Rest of the world	106	88
	5,163	4,218

The remaining contractual maturities of financial liabilities other than derivative financial instruments, and gross estimated losses on insurance contracts included in creditors are analyzed as follows:

	2010 US\$m	2009 US\$m
Within one year	4,324	3,566
Between one and two years	63	71
Between two and three years	41	37
Beyond three years	55	48
	4,483	3,722

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

## 36 Provisions

	Motor vehicle warranties US\$m	Closure cost provisions US\$m	Reinstatement and restoration costs US\$m	Statutory employee entitlements US\$m	Others US\$m	Total US\$m
<b>2010</b>						
At 1st January	19	4	25	47	2	<b>97</b>
Exchange differences	2	–	2	2	–	<b>6</b>
New subsidiary undertakings	–	–	1	–	–	<b>1</b>
Additional provisions	4	3	4	19	–	<b>30</b>
Unused amounts reversed	–	–	(1)	–	–	<b>(1)</b>
Utilized	(4)	(1)	(1)	(3)	(2)	<b>(11)</b>
At 31st December	<b>21</b>	<b>6</b>	<b>30</b>	<b>65</b>	<b>–</b>	<b>122</b>
Non-current	–	–	28	54	–	<b>82</b>
Current	21	6	2	11	–	<b>40</b>
	<b>21</b>	<b>6</b>	<b>30</b>	<b>65</b>	<b>–</b>	<b>122</b>
<b>2009</b>						
At 1st January	18	3	22	31	1	75
Exchange differences	–	–	1	6	–	7
Additional provisions	5	1	2	11	1	20
Utilized	(4)	–	–	(1)	–	(5)
At 31st December	19	4	25	47	2	97
Non-current	–	–	23	37	–	60
Current	19	4	2	10	2	37
	19	4	25	47	2	97

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.

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

## 37 Notes to Consolidated Cash Flow Statement

### (a) Depreciation and amortization

	2010 US\$m	2009 US\$m
<b>By business:</b>		
Hongkong Land	1	–
Dairy Farm	167	144
Mandarin Oriental	45	41
Jardine Cycle & Carriage	8	7
Astra	509	361
	<b>730</b>	<b>553</b>

### (b) Other non-cash items

	2010 US\$m	2009 US\$m
<b>By nature:</b>		
(Profit)/loss on sale of subsidiary undertakings	(14)	3
Profit on sale of other investments	(13)	(138)
(Profit)/loss on sale of leasehold land	(1)	1
Loss/(profit) on sale of tangible assets	2	(5)
Loss on sale of repossessed assets	63	38
Loss on sale of plantations and related assets	4	–
Increase in fair value of investment properties	(3,198)	(1,888)
(Increase)/decrease in fair value of plantations	(422)	64
Impairment of intangible assets	2	1
Impairment of tangible assets	–	5
Impairment of debtors	106	67
Write down of stocks and work in progress	16	–
Reversal of write down of stocks and work in progress	(7)	(1)
Change in provisions	(25)	21
Net foreign exchange losses/(gains)	12	(12)
Options granted under employee share option schemes	5	6
Repurchase of convertible bonds in Hongkong Land	–	(8)
	<b>(3,470)</b>	<b>(1,846)</b>
<b>By business:</b>		
Hongkong Land	(3,249)	(1,892)
Dairy Farm	6	9
Mandarin Oriental	5	14
Jardine Cycle & Carriage	12	(7)
Astra	(244)	160
Corporate and other interests	–	(130)
	<b>(3,470)</b>	<b>(1,846)</b>

### 37 Notes to Consolidated Cash Flow Statement *(continued)*

#### (c) Increase in working capital

	2010 US\$m	2009 US\$m
(Increase)/decrease in properties for sale	(297)	141
(Increase)/decrease in stocks and work in progress	(635)	12
Increase in debtors	(1,380)	(549)
Increase in creditors	612	235
Increase in pension obligations	21	16
	<b>(1,679)</b>	<b>(145)</b>

#### (d) Purchase of subsidiary undertakings

	2009 US\$m
<b><i>Hongkong Land</i></b>	
Tangible assets	6
Investment properties	12,911
Joint ventures	2,028
Deferred tax assets	4
Pension assets	6
Non-current debtors	69
Current assets	2,259
Long-term borrowings	(3,509)
Deferred tax liabilities	(44)
Non-current creditors	(23)
Current liabilities	(915)
Minority interests	(102)
Fair value of net assets	12,690
Adjustment for minority interests	(6,345)
Net assets acquired	6,345
Discount on acquisition	(2,578)
Fair values of previously held interest and consideration transferred	3,767
Fair value loss on remeasurement of previously held interest	2,567
Carrying amount of previously held interest at the date of acquisition	6,334
Attributable to interest held at beginning of year	(6,215)
Attributable to shares acquired prior to the date of acquisition	119
Discount on shares acquired prior to the date of acquisition	(71)
Consideration paid	48
Cash and cash equivalents of Hongkong Land at the date of acquisition	(1,130)
Cash inflow	(1,082)

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

## (d) Purchase of subsidiary undertakings (continued)

	2010		Fair value US\$m	2009 Fair value US\$m
	Book value US\$m	Fair value adjustments US\$m		
<b>Other subsidiary undertakings</b>				
Tangible assets	19	1	20	1
Current assets	64	(3)	61	87
Non-current creditors	(1)	–	(1)	(10)
Current liabilities	(33)	(1)	(34)	(4)
Minority interests	–	–	–	2
Net assets acquired	49	(3)	46	76
Goodwill			44	–
Total consideration			90	76
Adjustment for deferred consideration			–	(1)
Carrying value of associates and joint ventures			–	(29)
Cash and cash equivalents of subsidiary undertakings acquired			(41)	(4)
Net cash outflow			49	42

Net cash outflow for purchase of other subsidiary undertakings in 2010 of US\$49 million mainly included Dairy Farm's acquisition of Bintang Retail Industries.

Net cash outflow for purchase of other subsidiary undertakings in 2009 of US\$42 million mainly comprised Hongkong Land's increased interest in Maple Place in Beijing from 35% to 90%.

Revenue and profit after tax since acquisition in respect of subsidiary undertakings acquired during the year amounted to US\$51 million and US\$1 million, respectively. Had the acquisitions occurred on 1st January 2010, consolidated revenue and consolidated profit after tax for the year ended 31st December 2010 would have been US\$25,624 million and US\$7,614 million, respectively.

(e) Purchase of associates and joint ventures in 2010 included US\$80 million for Hongkong Land's acquisition of an additional 20% interest in Shenyang joint venture; US\$13 million for Jardine Cycle & Carriage's acquisition of an additional 6% interest in PT Tunas Ridean; US\$18 million, US\$98 million and US\$13 million for Astra's acquisition of an additional 19% interest in PT Pam Lyonnaise Jaya, subscription to Bank Permata's rights issue, and capital injection to its financial services joint ventures, respectively. Purchase of associates and joint ventures in 2009 included US\$44 million for Jardine Cycle & Carriage's acquisition of an additional 9% interest in Truong Hai Auto Corporation and US\$4 million for the Company's additional investment in JRE Asia Capital (formerly Jardine Rothschild Asia Capital).

(f) Purchase of other investments in 2010 included US\$163 million for Astra's acquisition of securities, and US\$34 million and US\$25 million for the Company's purchase of shares in ACLEDA Bank and The Bank of N.T. Butterfield & Son, respectively. Purchase of other investments in 2009 included US\$38 million and US\$105 million for Hongkong Land's and Astra's purchase of securities, respectively, and US\$157 million for the Company's purchase of Tata Power.

(g) Advance to associates, joint ventures and others in 2010 and 2009 included Hongkong Land's loans to its property joint ventures of US\$214 million and US\$222 million, respectively.

### 37 Notes to Consolidated Cash Flow Statement *(continued)*

(h) Repayment from associates and joint ventures in 2010 and 2009 included US\$275 million and US\$31 million from Hongkong Land's property joint ventures.

(i) Sale of subsidiary undertakings

	2010	2009
	US\$m	US\$m
Intangible assets	15	2
Tangible assets	12	6
Plantations	7	–
Deferred tax assets	5	–
Current assets	33	5
Pension liabilities	(1)	–
Current liabilities	(20)	(2)
Net assets	51	11
Adjustment for minority interests	(9)	(3)
Net assets disposed of	42	8
Profit/(loss) on disposal	14	(3)
Sale proceeds	56	5
Adjustment for deferred consideration	(11)	(1)
Adjustment for carrying value of associates and joint ventures	(22)	(3)
Cash and cash equivalents of subsidiary undertakings disposed of	(3)	(3)
Net cash inflow/(outflow)	20	(2)

Sale proceeds in 2010 of US\$56 million included US\$28 million from Astra's sale of a 2% interest in PT Komatsu Remanufacturing Asia, which became an associate, and US\$27 million from Astra's sale of PT Surya Panen Subur.

No revenue generated and loss after tax in respect of subsidiary undertakings disposed of during the year amounted to US\$1 million.

(j) Sale of associates and joint ventures in 2009 included US\$90 million from Mandarin Oriental's sale of its 50% interest in Mandarin Oriental, Macau.

(k) Sale of other investments in 2010 comprised Astra's sale of securities. Sale of other investments in 2009 included US\$157 million from the Company's sale of its interest in Tata Industries and US\$56 million from Astra's sale of securities.

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

## (l) Change in interests in subsidiary undertakings

	2010 US\$m	2009 US\$m
Increase in attributable interests		
– Hongkong Land	<b>100</b>	–
– Mandarin Oriental	<b>4</b>	16
– Jardine Cycle & Carriage	<b>84</b>	35
– other	<b>352</b>	15
Decrease in attributable interests	–	(1)
	<b>540</b>	65

Increase in attributable interests in other subsidiary undertakings in 2010 included US\$160 million for Hongkong Land's acquisition of an additional 23% interest in MCL Land and US\$178 million for Astra's acquisition of an additional 47% interest in PT Astra Sedaya Finance. Increase in attributable interests in other subsidiary undertakings in 2009 included US\$11 million for Astra's acquisition of an additional interest in PT Marga Mandalasakti.

## (m) Analysis of balances of cash and cash equivalents

	2010 US\$m	2009 US\$m
Bank balances and other liquid funds including restricted balances (refer note 27)	<b>3,903</b>	3,678
Bank overdrafts (refer note 34)	<b>(4)</b>	(14)
	<b>3,899</b>	3,664

**38 Derivative Financial Instruments**

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

	2010		2009	
	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	–	<b>2</b>	–	1
– interest rate swaps and caps	<b>1</b>	<b>35</b>	5	35
– cross currency swaps	<b>7</b>	<b>27</b>	6	17
	<b>8</b>	<b>64</b>	11	53
Designated as fair value hedges				
– interest rate swaps	<b>1</b>	<b>2</b>	5	4
– cross currency swaps	<b>53</b>	<b>42</b>	52	–
	<b>54</b>	<b>44</b>	57	4
Not qualifying as hedges				
– forward foreign exchange contracts	–	<b>1</b>	–	1

## 38 Derivative Financial Instruments *(continued)*

The remaining contractual maturities of derivative financial instruments, based on their undiscounted cash outflows, are analyzed as follows:

	Within one year US\$m	Between one and two years US\$m	Between two and five years US\$m	Beyond five years US\$m	Total US\$m
<b>2010</b>					
Net settled					
– forward foreign exchange contracts	2	–	–	–	<b>2</b>
– interest rate swaps	21	14	12	–	<b>47</b>
Gross settled					
– forward foreign exchange contracts	117	–	–	–	<b>117</b>
– cross currency swaps	902	238	702	935	<b>2,777</b>
	<b>1,042</b>	<b>252</b>	<b>714</b>	<b>935</b>	<b>2,943</b>
<b>2009</b>					
Net settled					
– interest rate swaps	31	15	15	–	61
Gross settled					
– forward foreign exchange contracts	84	–	–	–	84
– cross currency swaps	229	698	547	91	1,565
	344	713	562	91	1,710

### **Forward foreign exchange contracts**

The contract amounts of the outstanding forward foreign exchange contracts at 31st December 2010 were US\$157 million (2009: US\$91 million).

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

The notional principal amounts of the outstanding interest rate swap and cap contracts at 31st December 2010 were US\$1,416 million (2009: US\$2,318 million).

At 31st December 2010, the fixed interest rates relating to interest rate swaps and caps vary from 0.7% to 13.7% (2009: 1.1% to 13.7%) per annum.

The fair values of interest rate swaps are based on the estimated cash flows discounted at market rates ranging from 0.2% to 9.8% (2009: 0.1% to 11.4%) per annum.

### **Cross currency swaps**

The contract amounts of the outstanding cross currency swap contracts at 31st December 2010 were US\$2,451 million (2009: US\$1,452 million).

## 39 Commitments

	2010 US\$m	2009 US\$m
<b>Capital commitments:</b>		
Authorized not contracted	1,694	1,561
Contracted not provided	245	236
	<b>1,939</b>	<b>1,797</b>
<b>Operating lease commitments:</b>		
Total commitments under operating leases		
– due within one year	573	524
– due between one and two years	419	380
– due between two and three years	270	238
– due between three and four years	178	157
– due between four and five years	139	133
– due beyond five years	1,076	1,092
	<b>2,655</b>	<b>2,524</b>

Total future sublease payments receivable relating to the above operating leases amounted to US\$43 million (2009: US\$31 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.

## 40 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.

## 41 Related Party Transactions

The ultimate holding company of the Group is Jardine Matheson Holdings Limited, a company incorporated in Bermuda. As at 31st December 2010, the Company held a 54% (2009: 54%) interest in Jardine Matheson.

In accordance with the Bye-Laws, Jardine Matheson Limited, a wholly-owned subsidiary undertaking of Jardine Matheson Holdings Limited, has been appointed General Manager of the Company under a General Manager Agreement. With effect from 1st January 2008, Jardine Matheson Limited has sub-delegated certain of its responsibilities under the agreement to a fellow subsidiary undertaking. Total fees payable for services provided to the Company in 2010 amounted to US\$92 million (2009: US\$61 million).

In the normal course of business the Group undertakes a variety of transactions with certain of its associates and joint ventures, and with Jardine Matheson. The more significant of such transactions are described below.

The Group purchases 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 2010 amounted to US\$5,929 million (2009: US\$3,703 million). The Group also sells motor vehicles and spare parts to its associates and joint ventures in Indonesia including PT Astra Honda Motor and PT Astra Daihatsu Motor. Total revenue from sale of motor vehicles and spare parts in 2010 amounted to US\$643 million (2009: US\$392 million).

The Group and Jardine Matheson use Jardine Lloyd Thompson to place certain of its insurance. Brokerage fees and commissions, net of rebates, paid in 2010 to Jardine Lloyd Thompson were US\$8 million (2009: US\$7 million).

The Group undertakes a variety of transactions with Hongkong Land, which became a subsidiary undertaking on 30th June 2009. Transactions with Hongkong Land before that date were as follows:

- (a) gross rental paid to Hongkong Land amounted to US\$9 million,
- (b) property maintenance and other services provided to Hongkong Land amounted to US\$10 million, and
- (c) construction services provided to Hongkong Land amounted to US\$52 million.

The Group manages six associate hotels (2009: six associate hotels). Management fees received by the Group in 2010 from these managed hotels amounted to US\$11 million (2009: US\$9 million).

Bank Permata provides banking services to the Group. The Group's deposits with Bank Permata at 31st December 2010 amounted to US\$211 million (2009: US\$205 million).

Amounts of outstanding balances with Jardine Matheson, and associates and joint ventures are included in debtors and creditors, as appropriate (refer notes 22 and 35).

Details of Directors' remuneration (being the key management personnel compensation) are shown on page 95 under the heading of Directors' Appointment, Retirement, Remuneration and Service Contracts.

## 42 Summarized Balance Sheet of the Company

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

	2010 US\$m	2009 US\$m
Subsidiary undertakings	4,264	4,018
Investment in Jardine Matheson	1,334	1,111
<b>Total assets</b>	<b>5,598</b>	5,129
Share capital ( <i>refer note 29</i> )	56	56
Share premium ( <i>refer note 30</i> )	1,199	1,208
Revenue and other reserves	4,312	3,843
Shareholders' funds	5,567	5,107
Current liabilities	31	22
<b>Total equity and liabilities</b>	<b>5,598</b>	5,129

Subsidiary undertakings and investment in Jardine Matheson are shown at cost less amounts provided.

## 43 Jardine Strategic Corporate Cash Flow and Net Cash

	2010 US\$m	2009 US\$m
<b>Dividends receivable</b>		
Subsidiary undertakings	561	385
Jardine Matheson	328	255
Associates	2	78
Other holdings	15	8
	<b>906</b>	726
Less taken in scrip	<b>(328)</b>	(255)
	<b>578</b>	471
Other operating cash flows	<b>(97)</b>	(37)
Cash flows from operating activities	<b>481</b>	434
<b>Investing activities</b>		
Purchase of associates and joint ventures	<b>(5)</b>	(52)
Purchase of other investments	<b>(64)</b>	(168)
Sale of other investments	–	190
Cash flows from investing activities	<b>(69)</b>	(30)
<b>Financing activities</b>		
Repurchase of shares	<b>(9)</b>	–
Change in interests in subsidiary undertakings	<b>(188)</b>	(51)
Dividends paid by the Company	<b>(37)</b>	(34)
Cash flows from financing activities	<b>(234)</b>	(85)
Fair value adjustment on 6.375% Guarantee Bonds	<b>9</b>	11
Net increase in net cash	<b>187</b>	330
Net cash/(debt) at 1st January	<b>110</b>	(220)
Net cash at 31st December	<b>297</b>	110
<b>Represented by:</b>		
Bank balances and other liquid funds	<b>573</b>	394
6.375% Guaranteed Bonds	<b>(276)</b>	(284)
	<b>297</b>	110

Corporate cash flow and net cash comprises the cash flows and net cash or debt of the Company and of its investment holding and financing subsidiary undertakings.

#### 44 Ultimate Holding Company and Principal Subsidiary Undertakings and Associates

The ultimate holding company and principal subsidiary undertakings and associates of the Group at 31st December 2010 are set out below.

	Country of incorporation	Particulars of issued capital			Attributable interests		Nature of business
					2010 %	2009 %	
Dairy Farm International Holdings Ltd*	Bermuda	USD	74,990,966	ordinary	<b>78</b>	78	Supermarkets, hypermarkets, health and beauty stores, convenience stores, home furnishings stores and restaurants
Hongkong Land Holdings Ltd*	Bermuda	USD	225,075,486	ordinary	<b>51</b>	50	Property development & investment, leasing & management
Jardine Cycle & Carriage Ltd*	Singapore	SGD	355,679,660	ordinary	<b>70</b>	69	A 50.1% interest in PT Astra International Tbk and motor trading
Jardine Matheson Holdings Ltd†	Bermuda	USD	162,034,787	ordinary	<b>54</b>	54	Engineering & construction, transport services, motor trading, property, retailing, restaurants, hotels, financial services, and insurance broking
Mandarin Oriental International Ltd*	Bermuda	USD	49,817,437	ordinary	<b>74</b>	74	Hotel management & ownership
PT Astra International Tbk*	Indonesia	IDRm	2,024,178	ordinary	<b>35</b>	35	Automotive, financial services, agribusiness, heavy equipment and mining, infrastructure and logistics, and information technology
Rothschilds Continuation Holdings AG#	Switzerland	CHF	60,975,765	ordinary	<b>21</b>	21	Global financial advisory, wealth management and trusts

Attributable interests represent the proportional holdings of the Company, held directly or through its subsidiary undertakings, in the issue 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 subsidiary undertakings.

\*Subsidiary undertakings.

†Ultimate holding company (refer note 41). Jardine Matheson held 81% (2009: 81%) of the share capital of the Company.

#Associate.

# Independent Auditors' Report

To the members of Jardine Strategic Holdings Limited

## Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Jardine Strategic Holdings Limited and its subsidiaries (the 'Group') which comprise the Consolidated Balance Sheet as of 31st December 2010 and the Consolidated Profit and Loss Account, Consolidated Statement of Comprehensive Income, Consolidated Statement of Changes in Equity and Consolidated Cash Flow Statement for the year then ended and a summary of significant accounting policies and other explanatory notes.

## Directors' Responsibility for the Financial Statements

The Company's Directors are responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards and with the requirements of Section 90 of the Bermuda Companies Act. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

## Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## Opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group as of 31st December 2010, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and with the requirements of the Bermuda Companies Act.

## Report on Legal and Regulatory Requirements

We have nothing to report in respect of the following matters that under the UK Listing Rules we are required to review:

- Directors' statement in relation to going concern; and
- the part of the Corporate Governance Statement relating to the Company's compliance with the nine provisions of the UK June 2008 Combined Code specified for our review.

## Other Matters

This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 90 of the Bermuda Companies Act and for no other purpose. We do not, in giving this opinion, 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.

### **PricewaterhouseCoopers LLP**

*Chartered Accountants*

London

United Kingdom

4th March 2011

# Five Year Summary

## Profit and Loss\*

	2010 US\$m	2009 US\$m	2008 US\$m	2007 US\$m	2006 US\$m
Revenue	<b>25,498</b>	18,905	18,455	15,328	12,845
Profit attributable to shareholders	<b>3,535</b>	1,988	630	2,265	1,610
Underlying profit attributable to shareholders	<b>1,439</b>	1,089	863	727	529
Earnings per share (US\$)	<b>5.69</b>	3.20	1.02	3.66	2.62
Underlying earnings per share (US\$)	<b>2.32</b>	1.75	1.40	1.18	0.86
Dividends per share (US¢)	<b>21.00</b>	20.00	19.00	18.00	17.00

## Balance Sheet\*

	2010 US\$m	2009 US\$m	2008 US\$m	2007 US\$m	2006 US\$m
Total assets	<b>46,597</b>	37,626	21,394	21,228	18,895
Total liabilities	<b>(14,801)</b>	(12,664)	(7,361)	(7,192)	(7,528)
Total equity	<b>31,796</b>	24,962	14,033	14,036	11,367
Shareholders' funds	<b>16,350</b>	12,697	10,506	10,606	8,257
Net debt (excluding net debt of financial services companies)	<b>2,338</b>	2,327	528	851	1,769
Net asset value per share† (US\$)	<b>47.53</b>	32.64	18.15	28.22	19.38

## Cash Flow

	2010 US\$m	2009 US\$m	2008 US\$m	2007 US\$m	2006 US\$m
Cash flows from operating activities	<b>2,034</b>	2,473	2,125	2,044	1,813
Cash flows from investing activities	<b>(1,366)</b>	(127)	(1,361)	(545)	(891)
Net cash flow before financing	<b>668</b>	2,346	764	1,499	922
Cash flow per share from operating activities (US\$)	<b>3.27</b>	3.98	3.43	3.32	2.94

\*Figures prior to 2010 have been restated to reflect changes in accounting policies for owner-occupied properties and deferred tax on the early adoption of amendments to IAS 12 'Deferred Tax: Recovery of Underlying Assets'. On the adoption of IAS 17 (amendment) 'Leases', there is no impact on the five year summary.

†Net asset value per share is calculated on a market value basis.

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

For and on behalf of the Board

**A.J.L. Nightingale**  
**Lord Leach of Fairford**  
*Directors*

4th March 2011

# Corporate Governance

Jardine Strategic Holdings Limited is incorporated in Bermuda. The majority of the Group's business interests are in Asia. The Company's equity shares have a Premium Listing on the London Stock Exchange, and secondary listings in Bermuda and Singapore. The Company attaches importance to the corporate stability that is fundamental to the Group's ability to pursue a long-term strategy in Asian markets. It is committed to high standards of governance. Its approach, however, developed over many years, differs from that envisaged by the UK Corporate Governance Code (the 'UK Code'), which was originally introduced as a guide for United Kingdom incorporated companies listed on the London Stock Exchange. Following a change in the Listing Rules issued by the Financial Services Authority in the United Kingdom with effect from 6th April 2010, the Company's Premium Listed status now requires that this Report address how the main principles of the UK Code have been applied by the Company, and explain the reasons for the different approach adopted by the Company as compared to the UK Code's provisions. The Company's governance differs from that contemplated by provisions of the UK Code on board balance and refreshment, director independence, board evaluation procedures, nomination and remuneration committees and the appointment of a senior independent director.

## The Management of the Group

The Company is a holding company within the Jardine Matheson Group. The Company's share capital is 81%-owned by Jardine Matheson Holdings Limited, in which the Company itself has a 54% interest. Similar to the Company, Jardine Matheson is Bermuda incorporated and listed in London, Bermuda and Singapore. The Memorandum of Association of the Company provides for the chairman of Jardine Matheson to be, or to appoint, the Managing Director of the Company. The managing director of Jardine Matheson has been so appointed. In addition, the Bye-laws of the Company provide for Jardine Matheson, or such wholly-owned subsidiary as it shall appoint, to be the General Manager of the Company. Jardine Matheson Limited, a Hong Kong-based management company, has been so appointed, and has sub-delegated certain of its responsibilities to a fellow wholly-owned subsidiary. The General Manager provides management services to the Company and other members of the Group. The Company itself has no employees.

The Company is concerned primarily with the oversight and co-ordination of its interests in the other listed companies within the wider Group. Operational management is delegated to the appropriate level, with the boards of the management companies of the Group's listed subsidiaries and certain associated companies being co-ordinated by the board of the General Manager. This board, which meets regularly in Hong Kong, is chaired by the Managing Director and consists of seven other members, including the group finance director, the group strategy director and the group general counsel of Jardine Matheson. In addition, as part of the Company's tiered approach to oversight and management, certain Directors of the Company who do not serve on the board of the General Manager and who are based outside Asia make regular visits to Asia and Bermuda where they will participate in four annual Group strategic reviews. All of these reviews precede the Board meetings. These Directors are not directly involved in the operational management of the Group's business activities, but their knowledge and close oversight of the Group's affairs reinforces the process by which business is reviewed before consideration by the Board.

## The Board

The Company currently has a Board of nine Directors: four are executive directors of Jardine Matheson and five are non-executive Directors. Their names and brief biographies appear on page 17 of this Report. The Chairman has been appointed in accordance with the provisions of the Bye-laws of the Company, which provide that the chairman of Jardine Matheson, or any Director nominated by him, shall be the Chairman of the Company. The composition and operation of the Board reflect the Group's commitment to its long-term strategy, the Company's shareholding structure and the Group's tiered approach to oversight and management as described above. These factors explain the balance on the Board between executive and non-executive Directors, the stability of the Board, the absence of nomination and remuneration committees and the conduct of Board evaluation procedures. The Board regards Asian business experience and relationships as more valuable attributes of its non-executive Directors than formal independence criteria. Accordingly the Board has not designated a 'senior independent director' as set out in the UK Code. There are no decisions required to be made by the Company on remuneration.

Among the matters which the Board decides are the Company's investment strategy, its annual budget, dividends and major corporate activities. The Board is scheduled to hold four meetings in 2011 and ad hoc procedures are adopted to deal with urgent matters. In 2010 two meetings were held in Bermuda and two in Asia. All Directors attended all four Board meetings, save that Dr George C.G. Koo attended three meetings, Jenkin Hui attended two meetings and R.C. Kwok was unable to attend the meetings due to illness. The Board receives high quality, up to date information for each of its meetings. This information is approved by the General Manager before circulation, and is then the subject of a strategy review in a cycle of meetings (in Bermuda or Asia, as appropriate) prior to consideration by the Board itself. Responsibility for implementing the Group's strategy within designated financial parameters is delegated to the General Manager.

The division of responsibilities between the Chairman and the Managing Director is well established. The Chairman's role is to lead the Board as it oversees the Group's strategic and financial direction. The Managing Director's role is to implement the strategy set by the Board and to manage the Group's operations. An important part of this is undertaken in his capacity as chairman of the board of the General Manager.

## Directors' Appointment, Retirement, Remuneration and Service Contracts

Each new Director is appointed by the Board and, in accordance with Bye-law 92 of the Company's Bye-laws, each new Director is subject to retirement at the first Annual General Meeting after appointment. Thereafter, the Director will be subject to retirement by rotation pursuant to Bye-law 85 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 pursuant to Bye-law 85 does not extend to the Chairman or Managing Director.

In accordance with Bye-law 85, Jenkin Hui and Dr George C.G. Koo retire by rotation at the Annual General Meeting and, being eligible, offer themselves for re-election. Neither Jenkin Hui nor Dr George C.G. Koo has a service contract with the Company or its subsidiaries.

Directors' fees are decided upon by shareholders in general meeting as provided for by the Company's Bye-laws. A motion to increase the Directors' fees to US\$45,000 each per annum and the fees for the Chairman and Managing Director to US\$65,000 each per annum with effect from 1st January 2011 will be proposed at the forthcoming Annual General Meeting.

For the year ended 31st December 2010, Directors' fees payable by the Company amounted to US\$400,000 (2009: US\$400,000).

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.

## Directors' Responsibilities in respect of the Financial Statements

The Directors are required under the Bermuda Companies Act 1981 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 should 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.

## Going Concern

The Directors are required to consider whether it is appropriate to prepare financial statements on the basis that the Company and the Group are going concerns. The Group prepares comprehensive financial forecasts and, based on these forecasts, cash resources and existing credit facilities, the Directors consider that the Company and the Group have adequate resources to continue in business for the foreseeable future. For this reason, the Directors continue to adopt the going concern basis in preparing the financial statements.

## Code of Conduct

The Group conducts business in a professional, ethical and even-handed manner. Its ethical standards are clearly set out in the Jardine Matheson Code of Conduct, a set of guidelines to which every Group employee must adhere. 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 all employees to be treated fairly, impartially and with respect. It also requires that all managers must be fully aware of their obligations under the Code of Conduct and establish procedures to ensure compliance at all levels within their organizations. 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.

## Risk Management and Internal Control

The Board has overall responsibility for the Company's system of risk management and internal control. The system of internal control is designed to manage, rather than eliminate, business risk; to help safeguard its assets against fraud and other irregularities; and to give reasonable, but not absolute, assurance against material financial misstatement or loss.

The principal risks and uncertainties facing the Company are set out on page 98.

The Board has delegated to the Audit Committee responsibility for reviewing areas of risk and uncertainty, the operation and effectiveness of the Company's system of internal control and the procedures by which these are monitored. The Audit Committee considers the system and procedures on a regular basis, and reports to the Board semi-annually. The members of the Audit Committee are Simon Keswick, Lord Leach of Fairford, R.C. Kwok and Percy Weatherall; they have extensive knowledge of the Group while at the same time not being directly involved in operational management. The Board considers that the members of the Audit Committee have, collectively, the requisite skills, knowledge and experience to enable it to discharge its responsibilities in a proper manner. All members of the Audit Committee attended both its meetings during the year, save that Lord Leach of Fairford attended one meeting and R.C. Kwok was unable to attend the meetings due to illness. The Company's Managing Director, together with representatives of the General Manager and the internal and external auditors, attend the Audit Committee meetings by invitation.

The General Manager oversees the implementation of the systems of internal control throughout the Group. The implementation of the systems of internal control within the Group's operating companies is the responsibility of each company's board and its executive management. The effectiveness of these systems is monitored by the internal audit function, which is outside the operating companies, and by a series of audit 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 Audit Committee also reviews the effectiveness of the internal audit function.

The Group has in place an organizational 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 Group's policy on commercial conduct underpins the internal control process, particularly in the area of compliance. The policy, as set out in the Code of Conduct, 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 Group 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.

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 new accounting policies, is undertaken by the Audit Committee with the Managing Director and representatives of the General Manager and a report is received from the external auditors. The Audit Committee also assesses any reports on frauds identified during the period under review. The external auditors also have access to the Board, and to the boards of the Group's operating companies.

The Audit Committee keeps under review the nature, scope and results of the external audit, the audits conducted by the internal audit function and the findings of the various Group audit committees. The Audit Committee also keeps under review the independence and objectivity of the external auditors, and as part of that process considers and approves the level and nature of non-audit work performed. The terms of reference of the Audit Committee can be found on the Company's website at [www.jardines.com](http://www.jardines.com).

## Directors' Share Interests

The Directors of the Company in office on 22nd March 2011 had interests (within the meaning of the Disclosure and Transparency Rules ('DTRs') of the Financial Services Authority (the 'FSA') of the United Kingdom) 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' connected persons (as that term is used in the DTRs in relation to companies incorporated outside the United Kingdom).

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A.J.L. Nightingale	17,548
Charles Allen-Jones	5,141
Simon Keswick	7,753
Dr George C.G. Koo	140,174
R.C. Kwok	1,231
Lord Leach of Fairford	60,204

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## 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 that Jardine Matheson is interested indirectly in 910,416,341 ordinary shares carrying 81.66% of the voting rights attaching to the Company's issued ordinary share capital. Apart from this shareholding, the Company is not aware of any holders of voting rights of 5% or more attaching to the issued ordinary share capital of the Company as at 22nd March 2011.

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

## Relations with Shareholders

The 2011 Annual General Meeting will be held at The Fairmont Southampton, Bermuda on 12th May 2011. 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. All shareholders are invited to attend the Annual General Meeting and participate in communicating with the Company. The Company holds regular meetings with institutional shareholders. A corporate website is maintained containing a wide range of information of interest to investors at [www.jardines.com](http://www.jardines.com).

## Securities Purchase Arrangements

At the Annual General Meeting held on 6th May 2010, shareholders renewed the approval of a general mandate authorizing the Directors to effect purchases by the Company or its subsidiaries of the Company's own ordinary shares of less than 15% in aggregate of its issued share capital.

The Company repurchased and cancelled 263,486 ordinary shares of the Company for an aggregate consideration of some US\$5 million pursuant to a tender offer launched by the Company in March 2010 at a strike price of US\$19.00 per ordinary share. The repurchased shares represented some 0.02% of the Company's issued ordinary share capital. In addition, during the year the Company repurchased and cancelled 177,000 ordinary shares for an aggregate total cost of US\$3.3 million. The ordinary shares, which were repurchased in the market, represented some 0.02% of the Company's issued ordinary share capital.

## Related Party Transactions

Details of transactions with related parties entered into by the Company during the course of the year are included in note 41 to the financial statements on page 87. There were no transactions entered into by the Company during the course of the year to which the related party transaction rules of the FSA in the United Kingdom apply.

# 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 96 of the Corporate Governance section of this Report. The following are the principal risks and uncertainties facing the Company as required to be disclosed pursuant to the Disclosure and Transparency Rules issued by the Financial Services Authority of the United Kingdom and are in addition to the matters referred to in the Chairman's Statement and Operating 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 on the Group's joint venture partners, franchisors, bankers, suppliers or customers. These developments can result in recession, inflation, deflation, currency fluctuations, restrictions in the availability of credit, business failures, or increases in financing costs, oil prices and in the cost of raw materials. Such developments might increase operating costs, reduce revenues, lower asset values or result in the Group's businesses being unable to meet in full 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 such risks. These risks are further pronounced when operating in volatile markets.

A number of the Group's businesses make significant investment decisions in respect of developments or projects that take time to come to fruition and achieve the desired returns and are, therefore, subject to market risks.

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

The steps taken by the Group to manage its exposure to financial risk are set out in the Financial Review on page 16 and note 2 to the financial statements on pages 36 to 39.

## 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 environments in the territories in which they operate. Changes in the regulatory approach to such matters as foreign ownership of assets and businesses, exchange controls, planning controls, emission regulations, tax rules and employment legislation have the potential to impact the operations and profitability of the Group's businesses. Changes in the political environment in such territories can also affect the Group's businesses.

## Terrorism, Pandemic and Natural Disasters

A number of 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 impact of generally reduced economic activity in response to the threat of or an actual act of terrorism.

All Group businesses would be impacted by a global or regional pandemic which could be expected to seriously affect economic activity and the ability of our 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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2010 full-year results announced	4th March 2011
Share registers closed	21st to 25th March 2011
2010 final dividend scrip election period closes	21st April 2011
Annual General Meeting to be held	12th May 2011
2010 final dividend payable	18th May 2011
2011 half-year results to be announced	29th July 2011*
Share registers to be closed	22nd to 26th August 2011*
2011 interim dividend scrip election period closes	23rd September 2011*
2011 interim dividend payable	12th October 2011*

\*Subject to change

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## Dividends

Shareholders will receive their dividends in United States dollars, unless they are registered on the Jersey branch register where they will have the option to elect for sterling. These shareholders may make new currency elections for the 2010 final dividend by notifying the United Kingdom transfer agent in writing by 21st April 2011. The sterling equivalent of dividends declared in United States dollars will be calculated by reference to a rate prevailing on 4th May 2011. Shareholders holding their shares through The Central Depository (Pte) Ltd ('CDP') in Singapore will receive United States dollars unless they elect, through CDP, to receive Singapore dollars. Shareholders, including those who hold their shares through CDP, may also elect to receive a scrip alternative to their dividends.

## 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 Ltd  
P.O. Box HM 1068  
Hamilton HM EX  
Bermuda

### Jersey Branch Registrar

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

### United Kingdom Transfer Agent

Capita Registrars  
The Registry  
34 Beckenham Road  
Beckenham  
Kent BR3 4TU, England

### Singapore Branch Registrar

M & C Services Private Ltd  
138 Robinson Road #17-00  
The Corporate Office  
Singapore 068906

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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<b>PT Astra International Tbk</b>	Jl. Gaya Motor Raya No. 8 Sunter II, Jakarta 14330 Indonesia	Telephone (62 21) 652 2555 Facsimile (62 21) 651 2058 Email purel@ai.astra.co.id Website www.astra.co.id Priyono Sugiarto

