Financial Review

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Results

Underlying business performance

	2021 US$m	2020 US$m
Revenue	**35,862**	32,647
Operating profit	**3,328**	2,337
Net financing charges	**(389)**	(395)
Share of results of associates and joint ventures	**1,178**	844
Profit before tax	**4,117**	2,786
Tax	**(828)**	(483)
Profit after tax	**3,289**	2,303
Non-controlling interests	**(1,776)**	(1,218)
Underlying profit attributable to shareholders	**1,513**	1,085
Non-trading items	**368**	(1,479)
Net profit/(loss)	**1,881**	(394)
	US$	US$
Underlying earnings per share	**4.83**	2.95

The Group's underlying net profit and underlying earnings per share in 2021 were up by 39% and 64%, respectively, from 2020 as the performance and profitability of the Group's businesses through the COVID-19 pandemic started to improve. The increase in 2021 was primarily driven by a stronger contribution from Astra, a recovery in the performance of Mandarin Oriental, improved contributions by the Group's Motors business and its Southeast Asian businesses held by Jardine Cycle & Carriage. Hongkong Land and Jardine Pacific also delivered resilient performances in 2021. DFI Retail Group ('DFI Retail'), however, recorded lower underlying earnings than in 2020 as its associate, Yonghui, moved from a profit in 2020 to loss in 2021 as the competitive environment on the Chinese mainland intensified. DFI Retail and a number of other businesses also saw a reduced level of government grants and subsidies in 2021. For the Group as a whole, these amounted to US$58 million (underlying profit attributable to shareholders) in 2021, compared to US$282 million in 2020.

While a majority of the increase in Group's earnings were driven by improvements in underlying business performance as outlined above, the reported results also benefitted from the impact of the Company's acquisition of the remaining 15% minority interest in Jardine Strategic in April 2021 to simplify the Group's ownership structure. Excluding the impact of this Group simplification, increases in underlying net profit and underlying earnings per share in 2021 were 29% and 32%, respectively.

Revenue

The Group's revenue of US$35.9 billion in 2021 was 10% above the prior year.

Astra recorded a significant increase in sales of 36% from 2020 with recovery in the majority of its businesses, particularly Automotive, where higher volumes in its car sales operations benefitting from temporary luxury sales tax incentives, and Heavy Equipment, Mining and Construction due to higher heavy equipment sales and improved commodity prices.

Jardine Cycle & Carriage's motor vehicle operations recorded a 10% increase in sales from 2020 as a result of higher sales in its premium and used car operations in Singapore.

Mandarin Oriental's subsidiary hotels recorded an increase in revenue of 73% from 2020, but were still 44% behind 2019. All hotels were open by the end of 2021 and there were improvements in business activity at hotels in Europe and the United States as travel restrictions relaxed in the second half of 2021. Higher revenue was recorded in Hong Kong hotels compared to 2020 mainly attributable to domestic demand as borders with the Chinese mainland and international borders remained effectively closed in 2021.

Hongkong Land's revenue increased by 14% from 2020 mainly due to higher contribution from Development Properties reflecting higher residential properties completions in the Chinese mainland.

12% lower year-on-year sales in DFI Retail was mainly attributable to lower sales in its Grocery Retail and Health & Beauty businesses, which were impacted by the continuing pandemic with restrictions on customer movement and the absence of panic buying seen at the start of the pandemic in 2020, and the rationalisation of its business in Indonesia by withdrawal from the Giant Indonesia brand.

The drop in Jardine Pacific's sales of 20% was mainly due to the sale of the Innovix business during 2020, mitigated by higher delivery sales in Restaurants' business in Taiwan.

Jardine Motors reported an overall marginal decrease in sales reflecting strong improvement in sales in the United Kingdom compared to 2020 when there was temporary closure of dealerships and lower demand due to the pandemic, and lower sales contribution from Chinese mainland business following completion of the sale of the business to Zhongsheng in October 2021.

Gross revenue, including 100% of revenue from associates and joint ventures, which is a measure of the full extent of the Group's operations, increased by 20% to US$109.4 billion. The increase was largely from Astra's associates in the Indonesia Automotive business, Zhongsheng, and Hongkong Land's property associates and joint ventures.

Operating Profit

Operating profit from the Group's subsidiaries, excluding non-trading items, was US$3,328 million, an increase of US$991 million or 42%.

Astra's underlying operating profit increased by 94% from 2020 to US$1,789 million, with higher contributions from the Automotive and Heavy Equipment, Mining and Construction businesses reflecting higher revenues; higher contributions from Astra's consumer finance and general insurance businesses; and higher profit in the Agribusiness due to higher crude palm oil prices.

Mandarin Oriental reported a lower underlying operating loss of US$26 million in 2021, compared to US$186 million in 2020, which included a US$45 million impairment provision on the carrying value of the Geneva hotel property. Results from owned hotels improved driven by better trading conditions, government support received in some countries and continued focus on cost control. The management business also recorded a profit with higher management fees earned in a number of destinations.

For Jardine Motors' subsidiaries, overall underlying operating profit increased by US$34 million (23%) to US$183 million. The Group's United Kingdom dealerships recorded an operating profit of US$55 million in 2021 due to increased volumes and margins, as well as, improved overhead efficiencies, which compared to a loss of US$3 million in 2020 when there was an extensive temporary closure of its dealerships in the first half of the year. This was partly offset by the impact of the sale of the Group's dealerships in the Chinese mainland to Zhongsheng in October 2021.

Jardine Cycle & Carriage's underlying operating profit increased by US$20 million (36%) to US$73 million, with higher earnings in the Singapore motor operations.

Jardine Pacific recorded operating profit in 2021 at US$85 million, which was US$2 million (3%) lower than 2020. The Restaurant businesses reported a higher profit with higher delivery sales in Taiwan and the benefits realised from the ongoing process re-engineering project, and absence of the 2020 impairment provisions on loss-making stores, partly offset by significantly lower government support received in 2021 than in 2020. JEC's contribution was in line with 2020 with good performance from the Hong Kong engineering operations, but the businesses in Thailand and Singapore were impacted by the pandemic.

Hongkong Land's underlying operating profit decreased by US$16 million (2%) from 2020 to US$943 million, primarily due to higher corporate expenses, with contributions from development properties sales in the Chinese mainland and earnings from its commercial portfolio in line with 2020.

DFI Retail's underlying operating profit was US$99 million (24%) below 2020 at US$313 million, principally due to lower contributions from its Grocery Retail business in Hong Kong and Southeast Asia reflecting normalisation of customer buying behaviours and reduced levels of government support. Contributions from Convenience store business in 2021 was broadly in line with 2020. Lower operating profit in Health and Beauty business reflected lower sales resulting from fewer customer visits due to pandemic restrictions. Home Furnishings business recorded lower profit in 2021 principally due to supply issues and additional pre-operating expenses.

Net Financing Charges

Net financing charges at US$389 million were US$6 million (1%) lower compared to 2020 principally due to the lower average levels of net borrowings in Astra following the sale of its interest in Permata Bank in May 2020, partly offset by higher borrowings in the Company following the privatisation of Jardine Strategic in April 2021. Interest cover, excluding financial services companies, increased from 11 times to 14 times in 2021. Cover was calculated as the sum of underlying operating profit – before the deduction of the amortisation of right-of-use assets, net of actual lease payments – and the share of results of associates and joint ventures, divided by net financing charges excluding interest on lease liabilities.

Share of Results of Associates and Joint Ventures

The Group's US$1,178 million share of underlying results of associates and joint ventures was US$334 million, or 40%, higher than the prior year.

The overall contribution from Astra's associates and joint ventures increased by US$251 million in 2021 to US$453 million, primarily due to strong performance from its Automotive business with increased car sales volumes.

Contributions from Hongkong Land's associates and joint ventures increased by US$88 million to US$356 million, primarily from its joint venture development property projects in the Chinese mainland.

The Group's contribution from Zhongsheng, reflecting its results in the second half of 2020 and the first half of 2021, was higher by US$71 million at US$206 million.

The overall contribution from Jardine Cycle & Carriage's associates and joint ventures increased by US$43 million to US$128 million. Higher profit in the automotive and financial services businesses was reported by its 46.2%-owned Tunas Ridean in Indonesia. The 26.6%-owned associate in Vietnam, THACO, recorded stronger automotive result as margins benefitted from an improved sales mix which offset a small decline in unit sales. Higher contribution was seen in the 25.5%-owned SCCC in 2021, mainly due to a reduction in corporate tax rate in respect of its Sri Lankan operations. Excluding the favourable tax impact, SCCC's contribution would have been flat as benefit from continued cost saving initiatives were offset by continued low market demand for cement and reduced margin due to higher coal prices. There was a higher contribution from REE due to improved performance from its power and water investments as a result of favourable hydrography.

In Mandarin Oriental, a lower loss of US$22 million was reported by its associates and joint ventures, mainly attributable to the hotels in the United States.

In DFI Retail, the overall contribution from associates decreased by US$116 million to a loss of US$40 million, mainly due to its share of the loss incurred by its 21%-owned associate, Yonghui, compared to a profit in 2020. Yonghui's adverse performance in 2021 was impacted by a combination of the normalisation of sales performance, reduced margins resulting from rising competition and investments in digital. This was mitigated by a higher contribution from 50%-owned Maxim's, as restaurant patronage recovered, particularly in Hong Kong and the Chinese mainland.

Jardine Pacific's associates and joint ventures performed in line with 2020.

Tax

The underlying effective tax rate for the year was 28%, compared to 25% in 2020. The increase in effective tax rate in 2021 reflects a number of factors, including absence of the one-off benefit of a reduction in corporate income tax rates in Indonesia in 2020, the 2020 reversal of a prior year tax provision, and changes in the geographical mix of the Group's profit.

Non-trading Items

In 2021, the Group had net non-trading gains of US$368 million, which included a gain of US$791 million on the sale of Zung Fu's business on the Chinese mainland to Zhongsheng, and a gain of US$337 million on the sale and leaseback of two of Zung Fu's properties in Hong Kong; partly offset by a net decrease of US$681 million in the fair value of investment properties, primarily in Hongkong Land, and a net decrease of US$62 million in the fair value of other investments.

In 2020, the Group had net non-trading losses of US$1,479 million, which included a net decrease of US$1,424 million in the fair value of investment properties, primarily in Hongkong Land, and impairment of goodwill and investment in associates and joint ventures of US$223 million; mitigated by the gains of US$120 million and US$64 million on the sale of Permata Bank in Astra and Wellcome Taiwan in DFI Retail respectively, and a net increase of US$100 million in the fair value of other investments.

Dividends

The Board is recommending a final dividend of US$1.56 per share for 2021, providing a total annual dividend for 2021 of US$2.00 per share, 16% increased from 2020. The final dividend will be payable on 11th May 2022, subject to approval at the Annual General Meeting to be held on 5th May 2022, to shareholders on the register of members at the close of business on 18th March 2022. The dividends will be available in cash with a scrip alternative.

Cash Flow

Summarised cash flow

	2021 US$m	2020 US$m
Cash generated from operations	**5,383**	5,930
Net interest and other financing charges paid	**(379)**	(483)
Tax paid	**(728)**	(804)
Dividends from associates and joint ventures	**800**	632
Operating activities	**5,076**	5,275
Capital expenditure and investments	**(2,738)**	(7,034)
Disposals	**2,969**	5,900
Cash flow before financing	**5,307**	4,141
Acquisition of the remaining interest in Jardine Strategic	**(5,490)**	–
Principal elements of lease payments	**(894)**	(962)
Other financing activities	**(797)**	(1,357)
Net (decrease)/increase in cash and cash equivalents	**(1,874)**	1,822

Cash inflow from operating activities for the year of US$5,076 million was US$199 million lower than in 2020. There were higher inflows from increased operating profit, lower financing charges and higher dividends received from Hongkong Land's property joint ventures and Astra's joint ventures in its Automotive business. This was more than offset by increase in net working capital mainly in Hongkong Land with increased investment in development property projects and in Astra's Heavy Equipment, Mining and Construction, Automotive and Financial Services businesses as a result of improved trading condition with the impact of the pandemic and related containment measures abated during 2021.

Capital expenditure and investments for the year, before disposals, amounted to US$2,738 million *(2020: US$7,034 million)*. This included the following:

- US$1,294 million for investments in various associates and joint ventures, primarily Hongkong Land's investments of US$1,208 million in Development Property projects, most of which were joint venture projects in the Chinese mainland in Chongqing, Shanghai, Wuhan, Nanjing and Chengdu; and Astra's investments in and capital injections into associates and joint ventures of US$68 million, including US$66 million related to investments in toll road concession business;
- US$620 million for the purchase of tangible assets, which included US$328 million in Astra (of which US$187 million was for the acquisition of heavy equipment and machinery, predominantly by Pamapersada, US$49 million was for outlet development and additional operational machinery and equipment in Astra's automotive business, and US$53 million was to improve plantation infrastructure in Astra's agribusiness); US$185 million in DFI Retail for new store expansion and the refurbishment of existing stores; and US$31 million in Jardine Motors for dealership developments;
- US$467 million for the purchase of other investments, which included US$375 million acquisition of securities in Astra; and
- US$158 million for the purchase of intangible assets, which included US$63 million for mining exploration costs and US$36 million for the acquisition of contracts by Astra's general insurance business.

In 2020, the Group's principal capital expenditure and investments included:

- US$4,660 million for additions to investment properties, which included US$4,485 million for Hongkong Land's acquisition of a mixed-use site in the Xuhui District in Shanghai (the 'West Bund project');
- US$931 million for investments in various associates and joint ventures, primarily Hongkong Land's investments of US$837 million in Development Property projects, most of which were joint venture projects in the Chinese mainland in Shanghai, Chongqing, Chengdu and Wuhan; Mandarin Oriental's shareholders' loans to its associate and joint venture hotels of US$41 million; and Astra's investments in and capital injections into associates and joint ventures of US$27 million, including US$24 million related to investments in toll road concessions;
- US$659 million for the purchase of tangible assets by Group companies;
- US$494 million for the purchase of other investments, which included US$478 million of securities by Astra's general insurance business; and
- US$131 million for the purchase of intangible assets, which included US$52 million for mining exploration costs and US$30 million for the acquisition of contracts by Astra's general insurance business.

The contribution to the Group's cash flow from disposals for the year amounted to US$2,969 million *(2020: US$5,900 million)*, which principally included:

- US$738 million being proceeds received, net of transaction costs, relating to sale and leaseback of Zung Fu Hong Kong's properties in Hung Hom and Chai Wan; and US$754 million being proceeds received, net of tax and transaction costs, relating to sale of Zung Fu China to the Group's associate, Zhongsheng, for a total consideration of US$1.3 billion, which comprised US$886 million in cash and US$428 million worth of new shares in Zhongsheng, increasing the Group's shareholding in Zhongsheng to 20.9%;
- US$850 million mainly related to advances and repayments from associates and joint ventures in Hongkong Land; and

- US$246 million and US$152 million from the sale of securities by Astra's general insurance business and Corporate, respectively.

The Group's cash flow from disposals in 2020 included principally:

- US$2,566 million being proceeds received relating to Hongkong Land's sale of a 57% interest in a subsidiary – becoming a 43%-owned joint venture – which owns the West Bund project in the Chinese mainland;
- US$1,436 million relating to advances and repayments from associates and joint ventures in Hongkong Land;
- US$1,136 million from Astra's sale of Permata Bank;
- US$109 million and US$84 million from DFI Retail's sale of Wellcome Taiwan and Rose Pharmacy, respectively; and
- US$445 million from the sale of other investments by Astra's general insurance business.

During the year, the Company acquired its remaining 15% interests in Jardine Strategic to simplify the Group's parent company structure. The total acquisition cost was US$5.6 billion, of which US$5.5 billion had been settled by 31st December 2021. The Company also repurchased its own shares at a total cost of US$584 million *(2020: US$549 million)* in 2021.

Additional shares in Group companies, primarily share buybacks in Hongkong Land, were purchased at a total cost of US$299 million *(2020: US$27 million)* during 2021. These purchases are recognised as part of financing activities in the Consolidated Cash Flow Statement.

The Group's management also monitors total capital investment across the Group. The Group's capital investment, including expenditure on properties for sale and investment in the Group's simplification of its holding structure, was US$10.3 billion in 2021 *(2020: US$7.6 billion)*, in addition to which capital investment at its associates and joint ventures exceeded US$4.7 billion *(2020: US$2.5 billion)*. The Group continued to make investment to drive future growth during 2021, reflecting the Group's capital allocation framework prioritising organic investments in the Group's businesses, but M&A investments in new businesses were relatively small in 2021 at parent-level as the Group prioritised debt reduction following the significant investment in acquiring the remaining 15% minority interest in Jardine Strategic.

Treasury Policy

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

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

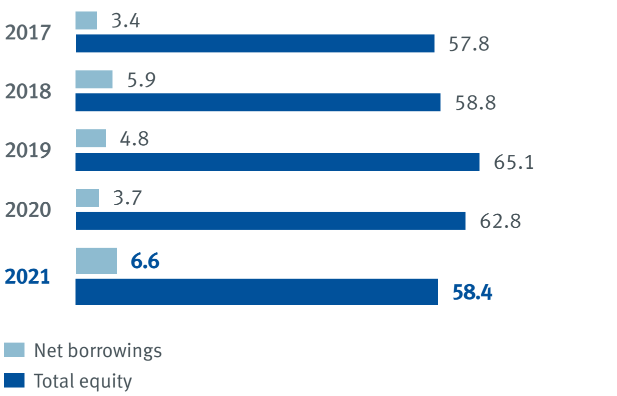
The Group's Treasury operations are managed as cost centres and are not permitted to undertake speculative transactions unrelated to underlying financial exposures.

Note 42 of the financial statements summarises the Group's financial risk factors.

Funding

The Group is well financed with strong liquidity. Net gearing, excluding net borrowings relating to Astra's financial services companies, was 11% at 31st December 2021, up from 6% at the end of 2020 but down from 14% at 30th June 2021. Net borrowings, on the same basis, were US$6.6 billion at 31st December 2021, compared with US$3.7 billion at the end of 2020. Astra's financial services companies had net borrowings of US$2.7 billion at the end of the year, compared with US$2.8 billion at the end of 2020.

Net borrowings* and total equity (US$ billion)



* Excluding net borrowings of Astra's financial services companies.

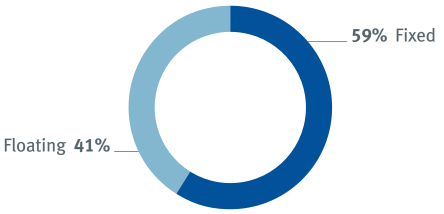
At the year end, undrawn committed facilities totalled US$8.0 billion. In addition, the Group had liquid funds of US$7.3 billion. During the year, the Group's total equity decreased by US$4.4 billion to US$58.4 billion due to simplification of the Group's holding structure by acquisition of the 15% minority interest in Jardine Strategic completed in April 2021.

The average tenor of the Group's borrowings at 31st December 2021 was 4.9 years, up from 4.4 years at the end of 2020. 78% of borrowings were non-US dollar denominated as shown below and directly related to the Group's businesses in the countries of the currencies concerned. At 31st December 2021, approximately 41% of the Group's borrowings, exclusive of Astra's financial services companies, were at floating rates and the remaining 59%

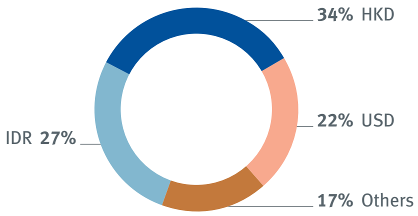
were at fixed rates including those hedged with derivative financial instruments with major creditworthy financial institutions. 95% of the borrowings for Astra's financial services companies were at fixed rates.

Borrowings Profile at 31st December 2021

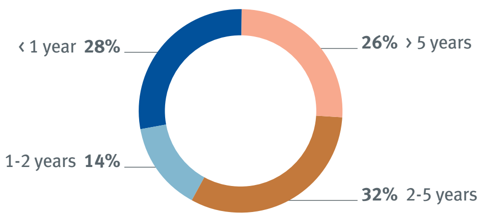
Interest rate*



Currency



Maturity

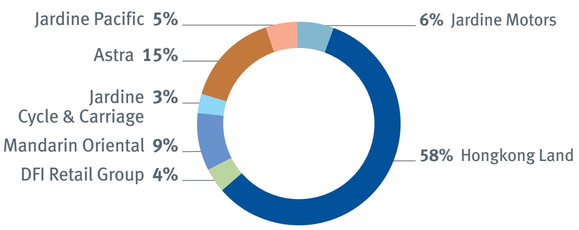


* Excluding Astra's financial services companies.

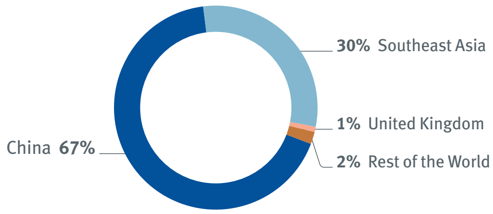
Shareholders' Funds

Shareholders' funds at 31st December 2021 are analysed below, by business and by geographical area. There were no significant changes from the prior year.

By business



By geographical area



Principal Risks and Uncertainties

A review of the principal risks and uncertainties facing the Group is set out on pages 74 to 78.

Audit Opinion on DFI Retail

A qualified audit opinion for limitation of scope has been issued by PricewaterhouseCoopers on DFI Retail's financial statements for the year ended 31st December 2021 as Yonghui management concluded that it was impractical to conduct an additional full scope audit on their results for the twelve months ended 30th September 2021 which was the basis for incorporating into DFI Retail's 2021 financial statements. Yonghui's own independent auditors, Ernst & Young, are performing their audit of Yonghui for the year ended 31st December 2021 to satisfy Yonghui's own reporting obligations. A similar limitation does not arise in Jardine Matheson's 2021 financial statements given the significantly higher level of materiality.

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 2021, the Group adopted the Interest Rate Benchmark Reform – Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16. The amendments provide practical expedient from certain requirements under these IFRSs. There was no significant impact on the Group's consolidated financial statements upon applying the amendments from 1st January 2021.

The Group also adopted the 2021 Amendment to IFRS 16 'Leases' in relation to the COVID-19 related rent concessions. This Amendment extends the practical expedient in the 2020 Amendment to eligible lease payments due on or before 30th June 2022. By applying the 2021 Amendment, the Group continued to recognise the COVID-19 related rent concessions, which meet the conditions required under the Amendment, in the profit and loss in the period which they relate, instead of accounting for them as lease modifications. The Group's share of the rent concessions received by its subsidiaries, associates and joint ventures in 2021, after tax and non-controlling interests, amounted to US$44 million *(2020: US$62 million)*.