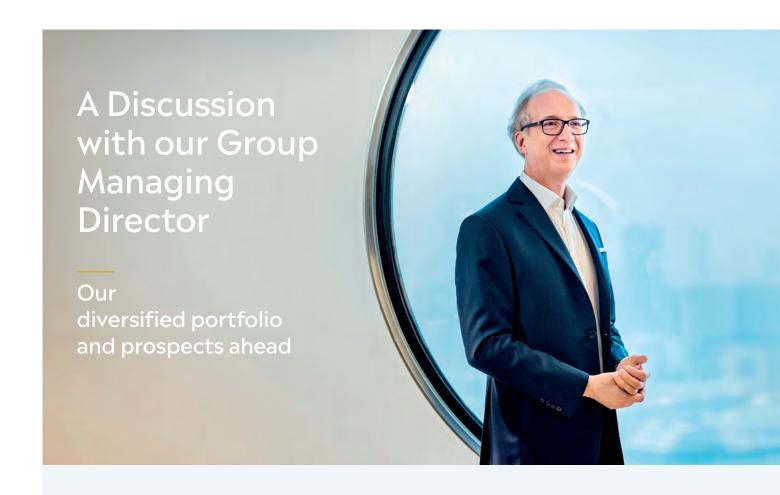
Creating Value at Jardines



Jardine Matheson ('Jardines' or 'the Group') is a diversified group operating across our core geographies of China and Southeast Asia. Over our 190 years, we have developed a track record, expertise, networks, and long-standing relationships in the region that support our Group businesses in creating value and sustainable growth.

In this section, we hear from **John Witt, Group Managing Director of Jardine Matheson**, as he discusses the strengths of our portfolio across the regions of North and Southeast Asia, and the opportunities ahead for the Group.

What is the role of Jardines in creating value for the Group's businesses?

We are active and long-term owners of our Group businesses. We partner with founder entrepreneurs and leading local companies, sharing our long-standing relationships, localised market knowledge, international best practices, and capital resources. We also serve as the partner of choice for many international brands when they want to find a single platform for accessing the region.

With our businesses, we work together to set strategic direction and deliver on four priorities. These are:

- 1. Evolving our portfolio;
- 2. Enhancing leadership and entrepreneurialism;
- 3. Driving innovation and operational excellence; and
- 4. Embedding sustainability.

We focus on having the right leaders in place across our businesses, and ensuring recruitment, learning and development, and succession planning all support our strategic objectives. Cross-group people mobility is also an important characteristic of the way leaders are developed across the Group.

How does Jardines approach investments and grow them for the long-term?

Firstly, we partner with management teams that we trust and who have the drive to develop and execute strategies to grow their businesses.

We take a disciplined approach towards our capital structure, which ensures the stability of our businesses across cycles. This approach includes the investment principles that we apply to manage our gearing and the long-standing relationships we have with a wide range of capital providers.

We are patient, long-term investors, and we often start with small interests in companies and build them up over time. We also make substantial investments when we see the right opportunity, are confident in our experience and knowledge of the sector, and have the talent in place to succeed.

For example, we invested in **Astra** just after the 1997 Asian Financial Crisis, when others were still apprehensive about Southeast Asia. Over the years, we increased our investment, and alongside capital, we provide strategic advice and talent. Today, Astra is one of Indonesia's leading local companies. Similarly, in Vietnam, we started our investments in **THACO** in 2008 and continue to support the group. Today, THACO operates across multiple sectors, principally in automotive, but also in property and agriculture.

We also continue to invest via our Group businesses. An example is **Hongkong Land**, where in the early stages of COVID – together with strategic partners – we invested in a 1.1 million square metre mixed-use development along the **West Bund**, which has a development cost of approximately US\$8 billion. The Group's deep knowledge of the property sector and strong balance sheet allowed us to successfully invest and develop the project against a challenged property market outlook in the Chinese mainland.

Demonstrating the scale of the investments we make via our businesses, in 2022 alone, we deployed US\$2.7 billion of organic growth Capex across the Group.

Tell us more about the Group's geographical focus.

We are and will continue to be focussed on China and Southeast Asia. Our diversified portfolio has benefitted us through difficult periods such as the pandemic – where our performance in 2020 was largely carried by China, while over the following two years, Southeast Asia contributed significantly towards our strong performance.

On the Chinese mainland, we are selective of the regions in which we invest. For example, Hongkong Land's property businesses are in Tier 1 and Tier 2 cities — essentially along the Yangtze River Delta — while our consumer retail businesses like Yonghui and Zhongsheng are mostly in well-developed and economically vibrant higher growth areas.

In Southeast Asia, our highest priority growth markets are in Indonesia – where Astra is a major investment – and increasingly in Vietnam, where we are building up our portfolio.

Our businesses are well-positioned to capture the themes of urbanisation and the rising middle-income population in Asia. They support infrastructure development and provide products and services to meet the growing needs of consumers and businesses.

In Southeast Asia, **Astra** has businesses in sectors including automotive, financial services, heavy equipment and mining, agribusiness, and property, all of which support the country's growth. They also provide almost 200,000 jobs.

Zhongsheng, China's largest automotive dealer, is well-placed to capture opportunities of the growing automotive market by leveraging its operational capability as a leading distributor and its strong customer base.

In Hong Kong and Singapore, **DFI Retail Group** continues its digital transformation to cement its position as a market leader.

The exception to our geographical focus is **Mandarin Orienta**l, which is a global luxury hotel investment and management group.

Overall, we expect both China and Southeast Asia to make balanced contributions to our growth and earnings over the long-term.

What are the opportunities for Jardines to generate growth and returns, and how is the Group organising itself to capture them?

In the near-term, returns will come from the cyclical recovery as we emerge from the pandemic. For example, our consumer businesses like Mannings in Hong Kong and Maxim's across the region, as well as Mandarin Oriental, should benefit significantly from the reopening of Chinese borders.

Looking ahead, we are expecting some of our more recent substantial investments to start generating sustainable returns. Some examples include Astra's infrastructure business in Indonesia – principally investments in toll roads – Hongkong Land's important West Bund development project, as well as THACO's business in agriculture.

We are responding to macro trends and growth sectors where we see opportunities. These include digitalisation, healthcare services, and sustainability.

In the area of **digitalisation**, we have expanded our digital banking offerings through investments in Bank lasa lakarta and livi bank in Hong Kong.

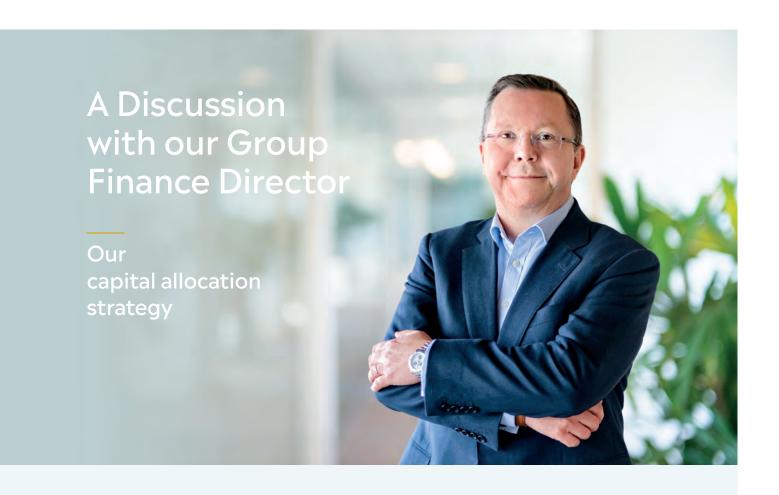
We have made investments in **healthcare services** – including Halodoc and Medikaloka Hermina in Indonesia – and these are expected to be a significant growth area as consumers grow older and more affluent in the future.

Finally, we are capturing **sustainability and energy transition** business opportunities in markets like Vietnam, where there is strong government support for green energy. REE is now one of the biggest players in renewables in Vietnam, particularly in solar, wind and hydro. Furthermore, we have begun to make early-stage investments in renewables in Indonesia.

Over the past two years, our focus has been on the simplification of our Group structure which has required significant capital, as well as ongoing review and disposal of non-core assets.

At the same time, we are increasingly positioned to capture new opportunities. You will note that we have made senior appointments to drive business development efforts in both China and Southeast Asia.

I am confident and excited about the opportunities ahead for the Group and our businesses across Asia.



At Jardines, our disciplined capital allocation strategy and core investment principles have allowed us to successfully grow our businesses over time. Our diverse portfolio of market-leading businesses generates strong cashflows and delivers resilient performance across the business cycle.

In this section, **Graham Baker, Group Finance Director of Jardine Matheson**, shares more about the Group's capital allocation strategy that supports growth for the long-term.

Can you share about Jardines' capital allocation strategy?

Our capital allocations start with organic investments in our existing business portfolio in order to drive sustainable long-term earnings growth and returns. Next, we are committed to continued payment of our dividend to shareholders, which we aim to grow over time. Finally, we review M&A opportunities in new businesses and deepening investments in existing Group companies side by side.

Our principal criteria for such investments are value and returns, earnings growth and risk profile, including sustainability considerations. All of this sits within a commitment to a strong balance sheet and investment grade credit metrics, which give us the confidence and flexibility to invest when we see the right opportunities – even at times of financial dislocation.

We have maintained this approach through the recent pandemic with continued support for organic capital investment across our businesses. These include investments to digitally enable our businesses across the portfolio, and as a couple of specific examples, investing in the ongoing transformation programme at DFI Retail Group and the major West Bund project in Shanghai at Hongkong Land.

The Group has recently been deepening its position in existing businesses through share buybacks and the Jardine Strategic acquisition. What is the thinking behind this and what's next?

There were multiple reasons for the US\$5.6 billion acquisition of Jardine Strategic. We wanted to put in place a simpler, more conventional ownership structure for the Group, which provides greater transparency to shareholders. We also saw benefit in enhancing the earnings position of the Group to support long-term dividend growth and the opportunity to streamline some of our internal processes. At the time in 2021, we were also able to leverage the financial strength of our balance sheet.

Since then, the focus of the Group has been on getting gearing closer to historical levels and prioritising reducing debt. To support this – as well as the resilient organic cash generation of the business – we have made some strategic decisions to recycle capital where we saw good value and strategic rationale, notably the sale of Zung Fu China to our associate Zhongsheng.

On buybacks, the Group deployed US\$1.3 billion purchasing Jardine Matheson shares over 2020, 2021 and 2022. There have also been buybacks by Hongkong Land and a number of Group companies in Southeast Asia.

As mentioned earlier, the Group evaluates these side by side with external M&A opportunities. However, portfolio evolution remains a strategic priority for the Group. Both of these offer potential for delivering value to shareholders and, therefore, we look to balance the investments in buybacks (and the acquisition of Jardine Strategic) with capital allocations on M&A for new businesses.

In 2022, we made several new investments across the Group. These included investments by Astra in Bank Jasa Jakarta, with plans to transform it into a digital bank; Halodoc, a tele-medical consultant company; and Medikaloka Hermina hospital group.

In summary, we remain committed to reducing net debt and getting gearing closer to historical levels but will also continue to invest in new business opportunities to drive long-term growth and value creation.

How does the Group look at investment opportunities?

We follow a consistent set of investment principles, which have allowed us to successfully grow our businesses' value and earnings over time. At the broadest level, we invest in businesses where we see long-term value and growth potential, principally in markets and sectors we understand, led by people we know and trust.

We believe that a continued predominant focus on Asia, in particular China, Indonesia and Vietnam, is consistent with this and will continue to bring attractive earnings and growth prospects. Beyond that, what is distinctive is our long-term strategic approach, our ability to create enduring partnerships, local knowledge and relationships, financial strength, and our active, engaged ownership of portfolio companies.

We evolve our portfolio to reflect changes in our operational environment and customer needs, and invest in new sectors and businesses, or divest non-core businesses and exit sectors, where appropriate. We also evolve our investment approach as the needs of our stakeholders and the communities we serve change.

In 2022, we announced a number of significant developments in our approach to sustainability, including issuing our first Sustainability Report and our decarbonisation strategy, which aligns the Group collectively towards the ultimate goal of net-zero.

As we move forward, our sustainability principles will also inform our investment decisions. There is work that remains to be done, for example plotting the decarbonisation pathways of our existing portfolio. The Group is committed to developing a sustainability framework on which we will base our capital allocation decisions, balancing business growth with social well-being and environmental sustainability.

Within this, we are focussed on the growth opportunities in sustainable businesses, and we are actively looking into scaling up our investments in renewable energy and related innovations.