Financial Review

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Group Finance Director

Results

Underlying Business Performance

	2022 US$m	2021 US$m
Revenue	**37,724**	35,862
Operating profit	**4,126**	3,328
Net financing charges	**(428)**	(389)
Share of results of associates and joint ventures	**1,232**	1,178
Profit before tax	**4,930**	4,117
Tax	**(964)**	(828)
Profit after tax	**3,966**	3,289
Non-controlling interests	**(2,382)**	(1,776)
Underlying profit attributable to shareholders	**1,584**	1,513
Non-trading items	**(1,230)**	368
Profit attributable to shareholders	**354**	1,881
	US$	US$
Underlying earnings per share	**5.49**	4.83

The Group's underlying profit and underlying earnings per share in 2022 were up by 5% and 14%, respectively (9% and 18% at constant exchange rates). Reported results 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 reported underlying net profit and underlying earnings per share in 2022 were 1% and 4%, respectively.

Within our businesses, growth in 2022 was driven by strong contributions across Astra's businesses, a turnaround in Mandarin Oriental's profitability and an improved contribution from the Group's Southeast Asian businesses.

However, the Group's businesses in Hong Kong and the Chinese mainland, particularly Hongkong Land and DFI Retail Group ('DFI Retail'), were adversely impacted by pandemic-related restrictions which remained in force in the region for most of 2022. Nevertheless, the Group's earnings returned overall to levels delivered in 2019, prior to the COVID-19 pandemic.

Revenue

The Group's revenue of US$37.7 billion in 2022 was 5% above the prior year.

Astra recorded a significant increase in sales of 24% from 2021 with improvement in the majority of its businesses, particularly Automotive, where higher volumes in its car sales operations resulting from the improved market condition, and Heavy Equipment, Mining and Construction due to higher revenue from heavy equipment sales, mining contracting and coal mining, all of which benefitted from higher commodity prices.

Jardine Pacific recorded an overall 36% increase in sales mainly due to higher sales in the Hong Kong engineering operation at JEC and full year sales from Zung Fu Hong Kong which was reported as part of Jardine Pacific group with effect from 1st October 2021. Zung Fu Hong Kong's overall sales in 2022 were in line with 2021.

Jardine Cycle & Carriage's motor vehicle operations recorded a 13% increase in sales from 2021 as a result of higher sales in its premium and used car operations in Singapore and higher sales in Malaysia due to a reduction in government sales tax.

Mandarin Oriental's subsidiary hotels recorded a significant increase in revenue of 43% from 2021 with strong demand and increased occupancy at higher rates following the removal of travel restrictions in most parts of the world, except for its Hong Kong hotel which was heavily impacted by COVID restrictions throughout 2022. Higher revenue from management contracts was recorded with increased management fees, particularly from hotels in resort destinations.

DFI Retail reported 2% higher year-on-year sales, with strong sales growth in the key markets of its Health and Beauty business offset by a lower sales in its Grocery Retail business, which were impacted by the absence of panic buying seen in 2021 and by store interruptions in Singapore Cold Storage due to essential renovations to reinvigorate its offering.

Hongkong Land's revenue decreased by 6% from 2021 mainly due to lower contribution from Investment Properties, particularly its office and retail portfolio in Hong Kong as a result of negative rental reversions; and lower revenue from Development Properties reflecting lower residential properties sales in the Chinese mainland due to the expected progression of its portfolio following a record year in 2021, together with the impact of pandemic restrictions on construction and pre-sales activities.

Jardine Motors reported an overall 59% decrease in sales mainly reflecting the absence of contribution from its Chinese mainland business following the disposal to Zhongsheng in October 2021. Sales contribution from the United Kingdom reduced compared to 2021 due to a weaker Pound Sterling exchange rate but was 3% up in local currency with higher selling prices and a better model mix.

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 5% to US$114.8 billion. The increase was mainly from Zhongsheng, Astra's associates in the Indonesia Automotive business and Jardine Cycle & Carriage's associate in Vietnam, THACO; partly offset by a decrease from Hongkong Land's property associates and joint ventures.

Operating profit

Operating profit from the Group's subsidiaries, excluding non-trading items, was US$4,126 million, an increase of US$798 million or 24%.

Astra's underlying operating profit increased by 63% from 2021 to US$2,916 million, with higher contributions from the Automotive and Heavy Equipment, Mining and Construction businesses reflecting higher revenues.

Mandarin Oriental recorded an underlying operating profit of $21 million, compared to the underlying loss of US$26 million in 2021. Results from most of its owned hotels, notably London and Paris, improved driven by increased occupancy and higher rates. Lower contributions, however, were reported from the Hong Kong and Tokyo hotels due to the continued impact of COVID restrictions in 2022. There was a higher contribution from management business driven by higher hotel management fees and residences branding fees.

Jardine Pacific reported operating profit in 2022 at US$97 million, which was US$12 million (15%) higher than 2021. JEC delivered higher profit in 2022 with good performance from the Hong Kong engineering operations. A full year contribution was recorded from Zung Fu Hong Kong. This was partly offset by a lower contribution from the Restaurant businesses due to the impact of pandemic restrictions in Hong Kong which resulted in a weaker performance in both Pizza Hut and KFC.

Jardine Cycle & Carriage's motor operations in Singapore reported an underlying operating profit in 2022 of US$72 million, which was in line with 2021.

Hongkong Land's underlying operating profit decreased by US$98 million (10%) from 2021 to US$845 million, primarily due to lower earnings from its commercial portfolio in Hong Kong and lower contributions from development properties sales in the Chinese mainland and Singapore.

DFI Retail's underlying operating profit was US$104 million (33%) below 2021 at US$209 million, principally due to lower contributions from its Grocery Retail business in Hong Kong and Southeast Asia reflecting absence of panic buying seen in 2021 and inflationary pressures, particularly in Singapore. Contributions from the Convenience store business in 2022 were broadly in line with 2021. Higher operating profit was recorded in the Health and Beauty business, mainly driven by strong healthcare sales in Hong Kong, and improved sales in Singapore, Malaysia and Indonesia in tourist stores. The Home Furnishings business performed slightly ahead of last year primarily due to strong cost control.

Jardine Motors' reported an overall underlying operating profit decreased by US$133 million (73%) to US$50 million mainly due to the absence of contribution from the Chinese mainland upon its sale in October 2021. The Group's United Kingdom dealerships recorded an operating profit of US$51 million in 2022, 8% down from prior year reflecting a weaker Pound Sterling which offset improved underlying performance from better margins in 2022.

Net financing charges

Net financing charges at US$428 million were US$39 million (10%) higher compared to 2021, principally due to higher average interest rates on US dollar and Hong Kong dollar denominated bank borrowings, mitigated by lower average borrowings in Astra in 2022. Interest cover, excluding financial services companies, increased slightly from 14 times to 15 times in 2022. Cover is 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$1,232 million share of underlying results of associates and joint ventures was US$54 million, or 5%, higher than the prior year.

The overall contribution from Astra's associates and joint ventures increased by US$77 million in 2022 to US$530 million, primarily due to strong performance from its Automotive business with increased car sales volumes and increased income from toll road operations.

The Group's contribution from Zhongsheng was higher by US$57 million at US$263 million compared to 2021. As in prior years, the Group has recognised its 21% share of Zhongsheng's results based on publicly available information for the 12 months ended 30th June. Hence, Zhongsheng's contribution in the Group's 2022 accounts represented our share of its results in the second half of 2021 and the first half of 2022. However, recognising the growing importance of Zhongsheng to the Group's performance, from 2023, we intend to recognise our share of Zhongsheng's results on a contemporaneous (calendar year) basis using, if necessary, an estimate of Zhongsheng's current year results based on recent analyst estimates. It is considered that, moving forward, this change will provide the users of the financial statements with a more meaningful insight into the current year underlying performance of the Group.

In Mandarin Oriental, a profit contribution of US$10 million was reported by its associates and joint ventures in 2022, compared to a loss of US$22 million in 2021. The turnaround performance was mainly attributable to the hotels in Singapore, Bangkok, Madrid and the United States.

The overall contribution from Jardine Cycle & Carriage's associates and joint ventures increased by US$31 million to US$159 million. Their 26.6%-owned associate in Vietnam, THACO, recorded stronger automotive results with increased unit sales and better margins benefitting from an improved sales mix. There was an increased contribution from Jardine Cycle & Carriage's 33.6%-owned associate REE due to improved performance from its renewable power investments as a result of favourable hydrology in Vietnam in 2022. Higher profit in the automotive, financial services and leasing businesses was reported by its 49.9%-owned Tunas Ridean in Indonesia. 25.5%-owned SCCC delivered lower contribution in 2022, as the business was adversely impacted by higher energy costs and inflationary pressure, as well as increased tax rates in Sri Lanka and the depreciation of the rupee, which offset improved cement volumes and prices in most of its markets.

A marginally lower loss of US$35 million was recorded in respect of DFI Retail's associates and joint ventures, compared to a loss of US$40 million in 2021. DFI Retail's share of losses in its 21%-owned associate, Yonghui, was US$80 million in 2022, compared to US$90 million in 2021. Yonghui's profitability in 2022 was impacted by store disruption caused by the pandemic, investment costs associated with digital transformation and margin dilution from a greater level of e-commerce sales. Contribution from DFI Retail's 21%-owned Robinsons Retail was up by 66% to US$24 million, benefitting from the reopening of the Philippines economy, together with improved product mix and strong cost-control. This was partly offset by a lower contribution from its 50%-owned associate, Maxim's, which declined by US$14 million to US$38 million, as restaurant patronage in the first half of 2022 was significantly impacted by the government-imposed restrictions on movements and dining in Hong Kong, mitigated by solid mooncake sales performance and easing of dining restrictions in the second half of the year.

Jardine Pacific's associates and joint ventures in 2022 performed slightly behind 2021 with weaker performance in HACTL caused by lower volumes as export demand softened, and lower flight volumes in Jardine Aviation. This was mitigated by higher contribution from Jardine Schindler in 2022, mainly recurring revenues from the Existing Installation business.

Contributions from Hongkong Land's associates and joint ventures decreased by US$127 million to US$229 million, primarily due to significantly lower sales completions in the second half of 2022 in its development property projects in the Chinese mainland as a result of pandemic-related restrictions.

Tax

The underlying effective tax rate for the year was 26%, compared to 28% in 2021. The decrease in effective tax rate in 2022 reflects changes in the geographical mix of the Group's profit.

Non-trading Items

In 2022, the Group had net non-trading losses of US$1,230 million, which included a net decrease of US$604 million in the fair value of investment properties, a net decrease of US$309 million in the fair value of other investments, and impairment of investment in associates of US$320 million.

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.

Dividends

The Board is recommending a final dividend of US$1.60 per share for 2022, providing a total annual dividend for 2022 of US$2.15 per share, an 8% increase from 2021. The final dividend will be payable on 10th May 2023, subject to approval at the Annual General Meeting to be held on 4th May 2023, to shareholders on the register of members at the close of business on 17th March 2023. The dividend will be available in cash, with a scrip alternative.

Cash Flow

Summarised cash flow

	2022 US$m	2021 US$m
Cash generated from operations	**5,287**	5,383
Net interest and other financing charges paid	**(387)**	(379)
Tax paid	**(1,006)**	(728)
Dividends from associates and joint ventures	**931**	800
Operating activities	**4,825**	5,076
Capital expenditure and investments	**(3,507)**	(2,738)
Disposals	**914**	2,969
Cash flow before financing	**2,232**	5,307
Acquisition of the remaining interest in Jardine Strategic	**(21)**	(5,490)
Principal elements of lease payments	**(875)**	(894)
Other financing activities	**(2,379)**	(797)
Net decrease in cash and cash equivalents	**(1,043)**	(1,874)

Cash inflow from operating activities for the year of US$4,825 million was US$251 million lower than in 2021. There were higher operating profits in the year, and higher dividends received from Astra's joint ventures in its Automotive business, Jardine Cycle & Carriage's associate, THACO, and from Zhongsheng. These, however, were more than offset by higher tax paid principally by Astra and increased in net working capital, principally in Astra's Heavy Equipment, Mining and Construction, Automotive and Financial Services businesses as a result of favourable trading conditions in 2022.

Capital expenditure and investments for the year, before disposals, amounted to US$3,507 million *(2021: US$2,738 million)*. This included the following:

- US$1,460 million for investments in various associates and joint ventures, primarily Hongkong Land's investments of US$1,012 million in Development Property projects, most of which were joint venture projects in the Chinese mainland in Chongqing, Shanghai, Chengdu and Suzhou; and Astra's investment in Bank Jasa Jakarta of US$260 million, investments in its toll road concession businesses of US$44 million, and investments in PT Mobilitas Digital of US$41 million and PT Arkora Hydropower Plant of US$18 million;
- US$1,014 million for the purchase of tangible assets, which included US$709 million in Astra (of which US$565 million was for the acquisition of heavy equipment and machinery, predominantly by Pamapersada, US$57 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) and US$224 million in DFI Retail for investments in digital capability and refurbishment of existing stores;
- US$645 million for the purchase of other investments, which included US$481 million in Astra (of which US$327 million represented acquisition of securities, US$99 million of investment in a healthcare services group, US$31 million for an online consumer credit platform and U$14 million for a technology-based logistics startup); and US$151 million in Corporate, the majority of which was for capital calls by Hillhouse Fund V Feeder, L.P.; and
- US$154 million for the purchase of intangible assets, which included US$60 million for mining exploration costs and US$38 million for the acquisition of contracts by Astra's general insurance business.

In 2021, the Group's principal capital expenditure and investments included:

- 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 by Group companies;
- 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.

The contribution to the Group's cash flow from disposals for the year amounted to US$914 million *(2021: US$2,969 million)*, which principally included:

- US$416 million primarily related to advances and repayments from associates and joint ventures in Hongkong Land;
- US$227 million from the sale of securities by Astra's general insurance business; and
- US$131 million from the sale of its hotel in Washington D.C. by Mandarin Oriental.

The Group's cash flow from disposals in 2021 included principally:

- 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 related to advances and repayments from associates and joint ventures mainly 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.

During the year, the Company repurchased its own shares at a total cost of US$173 million *(2021: US$584 million)*. Additional shares in Group companies were purchased in 2022. Shares in Jardine Cycle & Carriage were acquired at a total cost of US$130 million. There were share buybacks in Hongkong Land at a total cost of US$352 million *(2021: US$192 million)* and in Astra's subsidiary, United Tractors, at a total cost of US$214 million *(2021: nil)*. These purchases are recognised as part of financing activities in the Consolidated Cash Flow Statement.

In 2021, 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$5,490 million and US$21 million was settled in 2021 and 2022, respectively.

The Group's management also monitors total capital investment across the Group. The Group's capital investment, including expenditure on properties for sale, was US$5.3 billion in 2022 *(2021: US$10.3 billion which also included the US$5.6 billion investment in the Group's simplification of its holding structure)*, in addition to which capital investment at its associates and joint ventures exceeded US$4.3 billion *(2021: US$4.7 billion)*. The Group continued to focus on making strategic investments and prioritising organic investments to drive future growth during 2022. The Group also continued to progress the simplification of its portfolio by divesting non-core investments when opportunities arise.

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.

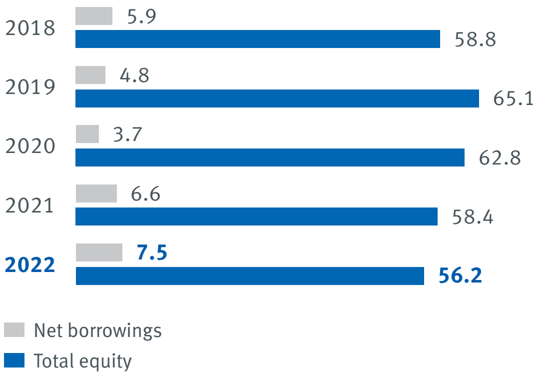
The Group's Treasury operations are managed as cost centres and are not permitted to undertake speculative transactions unrelated to underlying financial exposures.

Note 43 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 13% at 31st December 2022, up from 11% at the end of 2021. Net borrowings, on the same basis, were US$7.5 billion at 31st December 2022, compared with US$6.6 billion at the end of 2021. Astra's financial services companies had net borrowings of US$2.8 billion at the end of the year, compared with US$2.7 billion at the end of 2021.

Net borrowings* and total equity (US$ billion)



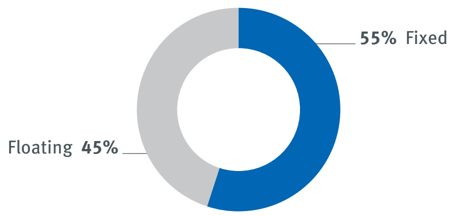
*Excluding net borrowings of Astra's financial services companies.

At the year end, undrawn committed facilities totalled US$7.1 billion. In addition, the Group had liquid funds of US$5.9 billion. During the year, the Group's total equity decreased by US$2.2 billion to US$56.2 billion, principally reflecting exchange translation losses resulting from the weakening of Indonesian Rupiah and Chinese Renminbi against US dollar during 2022.

The average tenor of the Group's borrowings at 31st December 2022 was 4.4 years, down from 4.9 years at the end of 2021. 81% 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 2022, approximately 45% of the Group's borrowings, exclusive of Astra's financial services companies, were at floating rates and the remaining 55% were at fixed rates including those hedged with derivative financial instruments with major creditworthy financial institutions. 92% of the borrowings for Astra's financial services companies were at fixed rates.

Borrowings profile at 31st December 2022

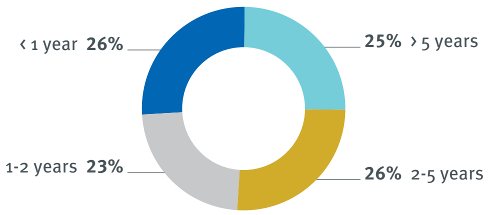
Interest rate*



*Excluding Astra's financial services companies.

Currency

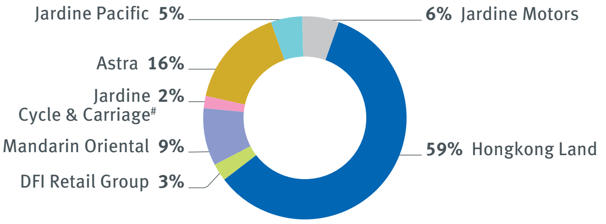
Maturity



Shareholders' Funds

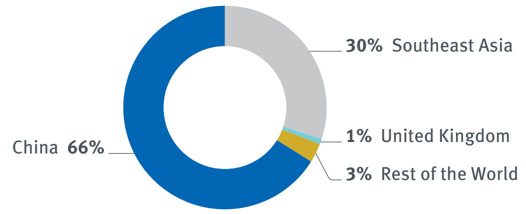
Shareholders' funds at 31st December 2022 are analysed below, by business and by geographical area. There were no significant changes from the prior year.

By business



Excluding Astra.

By geographical area



Principal Risks and Uncertainties

A review of the principal risks and uncertainties facing the Group is set out on pages 84 to 92.

Audit Opinion on DFI Retail

In the prior year, a qualified audit opinion for limitation of scope was issued by PricewaterhouseCoopers on DFI Retail's financial statements for the year ended 31st December 2021 because a full scope audit for Yonghui could not be performed and Yonghui's losses had grown to be material to DFI Retail. Yonghui management concluded that it was impractical to conduct an additional audit on their results for the twelve months ended 30th September 2021 which, as in prior years, were used as the basis for incorporating into DFI Retail's 2021 financial statements. Yonghui's own statutory reporting obligation covered the year ended 31st December 2021. A similar limitation did not arise in Jardine Matheson's 2021 financial statements given the significantly higher level of materiality in the Group's accounts.

However, in 2022, DFI Retail engaged Ernst & Young to perform a full scope audit for the twelve months ended 30th September 2022 with consent from Yonghui's management. Accordingly, an unqualified audit opinion on DFI Retail's financial statements for the year ended 31st December 2022 was issued (with a qualification only on the comparability of the 2022 financial results with the unaudited results for the year ended 31st December 2021).

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'). The accounting policies adopted in 2022 are consistent with those of previous year.