Jardine Strategic

Annual Report 2006

Jardine Strategic

Contents

Highlights

- Underlying earnings per share up 10%
- Net assets per share up 25%
- Good profit growth from most Group businesses
- Astra impacted by weak Indonesian markets
- Hongkong Land property portfolio value increases 21%

Results	2006	Restated 2005	Change
	US$m	US$m	%
Revenue together with revenue of associates and joint ventures*	27,136	24,084	*13*
Revenue	12,845	8,825	*46*
Profit after tax	1,870	1,709	*9*
Underlying profit attributable to shareholders†	526	475	*11*
Profit attributable to shareholders	1,412	1,398	*1*
Total equity	10,810	8,717	*24*
Shareholders' funds	7,627	5,859	*30*
	US$	US$	%
Underlying earnings per share†	0.86	0.78	*10*
Earnings per share	2.30	2.29	–
Dividends per share	0.17	0.16	*6*
Net asset value per share#	19.38	15.50	*25*

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

† The Group uses 'underlying business performance' in its internal financial reporting to distinguish between the underlying profits and non-trading items, as more fully described in the Principal Accounting Policies. Management considers this to be a key measure and has provided this analysis as additional information in order to provide greater 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.

Jardine Strategic Holdings Limited
Jardine House
Hamilton
Bermuda

Chairman's Statement

Performance

In 2006 Jardine Strategic benefited from a generally favourable economic environment and good performances from the majority of the Group's companies. Underlying profit for the year increased by 11% to US$526 million. Underlying earnings per share rose 10% to US$0.86.

Within Jardine Matheson, Jardine Pacific produced a creditable improvement in earnings, and Jardine Motors achieved an excellent result enhanced by gains from property disposals and changes in pension liabilities in the United Kingdom. Jardine Lloyd Thompson's profit was little changed in a year of restructuring. Dairy Farm posted another good year of earnings growth, with all its major operations performing well, and Hongkong Land increased its contribution, benefiting from rising net rental income and the acquisition of MCL Land. At Mandarin Oriental, healthy markets and income from new hotels offset the impact of the closure for renovation of its major Hong Kong property. Jardine Cycle & Carriage's contribution, however, fell due to a reduction in Astra's earnings. The Company's results also reflect a US$27 million contribution from its 20% investment in Rothschilds Continuation and a first dividend from Tata Industries.

In accordance with International Financial Reporting Standards, revaluations in investment properties are taken through the profit and loss account. The Company's share of a 21% upward revaluation of Hongkong Land's portfolio in 2006 amounted to US$751 million, compared with US$813 million in 2005, and a US$37 million increase in property values was also contributed by Jardine Matheson. The Company's net profit of US$1,412 million includes these revaluations as well as non-trading items such as gains on disposals within Jardine Matheson and Mandarin Oriental.

The Group's financial position has continued to improve. Despite active investment programmes, consolidated net debt excluding finance companies of US$1.6 billion showed a marginal decline due to the proceeds from disposals and careful cash flow management. Shareholders' funds had increased by 30% from US$5.9 billion to US$7.6 billion.

The Board is recommending a final dividend of US¢11.70 per share, representing an overall increase of 6% for the full year.

Business Activity

The overall stability of the Group's earnings benefits from its broad business mix, not only by commercial sector but also by geographic spread. Southeast Asia, for example, accounted for some 45% of underlying profit in 2006, having more than doubled its share over five years.

Business confidence in Asia remained strong during the year, driven in large part by the continued growth in the Chinese economy. The increasing sophistication of China's markets is expanding the opportunities in sectors that are attractive to the Group's service businesses, such as commercial and residential property, hotel management, retail stores, motor dealerships and insurance broking.

One country that did not follow the regional trend was Indonesia. The removal of fuel subsidies in late 2005 led to a sharp increase in inflation, higher interest rates and a fall in consumer confidence, which affected Astra's motor related activities. Sentiment, however, began to improve towards the end of 2006, and the medium-term outlook remains positive. The steadiness of the currency during this period was an encouraging feature.

Group companies have continued to build their businesses over the past year. Among the more notable examples, Hongkong Land expanded its property activities on a substantial scale both regionally and into the residential sector; Dairy Farm extended its banners across its Asian markets and has promising opportunities in India and Vietnam; and the development of Mandarin Oriental's hotel portfolio gathered pace with a record number of new developments and the reopening of the refurbished Mandarin Oriental, Hong Kong.

The Company is also seeing encouraging performances from a number of its smaller shareholdings. The value of the Company's 7% interest in The Bank of N. T. Butterfield & Son in Bermuda has increased significantly, as has the value of its 7% shareholding in Asia Commercial Bank, a Vietnamese bank floated in November 2006. The Company's 20% stake in Tata Industries has also enjoyed considerable growth.

In December, Jardine Strategic raised its direct interest in Hongkong Land to 46% with the US$269 million purchase of some 3% of Hongkong Land's share capital at the prevailing market price. The shares had previously been held by a wholly-owned subsidiary of Hongkong Land.

People

In April 2006, Anthony Nightingale took over as Managing Director from Percy Weatherall, who remains a non-executive director. Senior management changes are also to take place in our listed affiliates Hongkong Land and Dairy Farm, where the respective chief executives are to retire at the end of March. We are fortunate to have been able to bring forward experienced executives from within the Group to take their places.

Outlook

The outlook is promising for most of the markets in which the Group's businesses operate. It may, however, be demanding to match the level of growth in 2007 that has been seen in recent years.

Looking further ahead, Hongkong Land will recognize profits upon completion of residential properties already sold, and most of the Group's other businesses should perform well as they grow their operations.

Henry Keswick
Chairman

7th March 2007

Jardine Strategic

Hongkong Land

A listed property group with some 5 million sq. ft of prime commercial property in central Hong Kong and further high quality commercial and residential developments in Asia. (47%)

Dairy Farm

A listed pan-Asian retail group operating over 3,500 outlets, including supermarkets, hypermarkets, health and beauty stores, convenience stores, home furnishings stores and restaurants. (78%)

Mandarin Oriental The Hotel Group

A listed international hotel investment and management group with a portfolio of 34 deluxe and first class hotels and resorts worldwide, including 14 under development. (74%)

Rothschilds Continuation

An unlisted holding company within the Rothschild group with various financial services interests, including the investment bank N M Rothschild & Sons. (21%)

Jardine Cycle & Carriage

A Singapore-listed holding company with an interest of just over 50% in the listed Indonesian conglomerate, Astra International, and motor trading interests in Southeast Asia. (64%)

ASTRA international

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

Astra's financial services businesses consist of consumer finance (principally automobile and motorcycle), insurance and a 45% interest in Bank Permata.

Astra's other interests include heavy machinery; mining contracting; oil palm plantations; and distribution of office automation products and IT services.

(Figures in brackets show effective ownership by Jardine Strategic as at 2nd April 2007.)

Jardine Matheson

An Asian-based conglomerate with a portfolio of interests in leading businesses, held in part through its 80% stake in Jardine Strategic. (53%)

Jardine Pacific

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

Jardine Motors Group

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

Jardine Lloyd Thompson Group plc

A leading listed insurance broker, risk management adviser and employee benefit services provider, combining specialist skills in the London insurance market with an international network. (31%)

(Figures in brackets show effective ownership by Jardine Matheson as at 2nd April 2007.)

Jardine Strategic is a holding company with its principal interests in Jardine Matheson, Hongkong Land, Dairy Farm, Mandarin Oriental and Jardine Cycle & Carriage. Its 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 with its primary share listing in London. The Company's shares are also listed 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.

Segmental Information

Underlying Profit and Shareholders' Funds

	Underlying profit attributable to shareholders				Shareholders' funds			
	2006		Restated 2005		2006		Restated 2005	
	US$m	%	US$m	%	US$m	%	US$m	%
Jardine Matheson*	**105**	***20***	77	*16*	**946**	***12***	728	*12*
Hongkong Land	**107**	***20***	82	*17*	**4,243**	***56***	3,181	*54*
Dairy Farm	**165**	***31***	149	*31*	**455**	***6***	378	*7*
Mandarin Oriental	**33**	***6***	26	*6*	**817**	***11***	696	*12*
Jardine Cycle & Carriage	**20**	***4***	30	*6*	**150**	***2***	312	*5*
Astra	**126**	***24***	159	*34*	**1,214**	***16***	1,020	*17*
Other holdings	**50**	***10***	16	*3*	**688**	***9***	437	*8*
Corporate	**(80)**	***(15)***	(64)	*(13)*	**(886)**	***(12)***	(893)	*(15)*
	526	***100***	475	*100*	**7,627**	***100***	5,859	*100*

*Excluding Jardine Strategic and its subsidiary undertakings and associates.

Market Value Basis Net Assets

	2006		2005	
	US$m	%	US$m	%
Jardine Matheson	**949**	***8***	733	*8*
Hongkong Land	**4,212**	***35***	3,089	*32*
Dairy Farm	**3,568**	***30***	3,800	*40*
Mandarin Oriental	**1,201**	***10***	604	*6*
Jardine Cycle & Carriage	**2,102**	***17***	1,399	*15*
Other holdings	**693**	***6***	437	*5*
Jardine Strategic Corporate	**(770)**	***(6)***	(558)	*(6)*
	11,955	***100***	9,504	*100*
Net asset value per share (US$)	**19.38**		15.50	

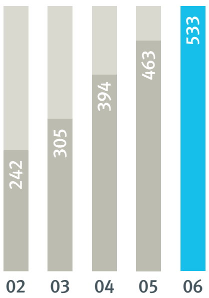
'Market value basis net assets' are calculated based on the market price of the Company's holdings for listed companies, with the exception of the holding in Jardine Matheson which has been calculated by reference to the market value of US$7,004 million *(2005: US$5,505 million)* less the Company's share of the market value of Jardine Matheson's interest in the Company. For unlisted companies a Directors' valuation has been used.

Net asset value per share is calculated on 'market value basis net assets' of US$11,955 million *(2005: US$9,504 million)* and on 617 million *(2005: 613 million)* shares outstanding at the year end which excludes the Company's share of the shares held by Jardine Matheson of 455 million *(2005: 446 million)* shares.

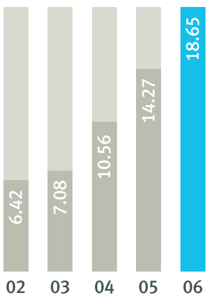
Operating Review

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

	2006 (US$m)	Restated 2005 (US$m)	Change (%)
Revenue	16,281	11,929	36
Underlying profit attributable to shareholders	533	463	15
Underlying earnings per share (US$)	1.52	1.33	14
Net asset value per share (US$)	18.65	14.27	31



Jardine Matheson Underlying Profit Attributable to Shareholders (US$ million)



Jardine Matheson Net Asset Value per Share (US$)

Jardine Matheson reported good increases in earnings and asset values in 2006. Its underlying profit was US$533 million, an increase of 15% helped in part by property and pension gains in Jardine Motors. Underlying earnings per share rose 14% to US$1.52. Jardine Matheson's net profit of US$1,348 million benefited from investment property revaluations in Hongkong Land and Jardine Pacific together with gains from disposals, including a non-trading profit of US$69 million on the advance sale of shares in JPMorgan Chase that underlie Jardine Matheson's exchangeable bond. Net asset value per share, which does not include the market value of the company's listed subsidiaries and affiliates, increased by 31% to US$18.65.

Jardine Pacific

Jardine Pacific's underlying profit from continuing businesses increased 27% to US$103 million in 2006 as the majority of its operations performed well, particularly Gammon. In addition, an upward revaluation of the group's residential property investment portfolio produced a gain of US$70 million. The company's net profit was US$191 million. Shareholders' funds rose 10% to US$363 million, producing an underlying return of 30%. During 2006, Jardine Pacific sold its interest in a Hong Kong mid-stream cargo handling joint venture and minority shareholdings in both BALtrans and the River Trade Terminal.

Claims income from contracts completed in prior years and good progress in projects in Macau enabled Gammon to achieve a significantly improved result. HACTL enjoyed record cargo volumes, but its profit contribution was little changed due to higher operating costs. Jardine Aviation Services benefited from the increased activity at Hong Kong's airport, but Jardine Shipping Services was affected by weaker freight rates. The profit contribution from Jardine Schindler was slightly down due mainly to increased losses in its subsidiary in Korea. JEC's earnings rose as its operations in Hong Kong and Thailand performed well. Jardine Restaurants and JOS each recorded a higher profit. Colliers Halifax produced an improved contribution from its property activities in Japan. Looking ahead, Jardine Pacific will incur higher financing charges in 2007 and a number of its businesses are facing more challenging conditions.

Jardine Motors

Jardine Motors' continuing operations achieved an underlying net profit of US$63 million, up 62%. The result was enhanced by gains from property sales and a change in pension and tax law in the United Kingdom. The group's net profit for the year of US$104 million included a non-trading gain of US$38 million arising from the sale of its interest in a vehicle contract hire business in the United Kingdom.

Zung Fu performed well in 2006 as deliveries of the new S-Class helped Mercedes-Benz achieve a 15% share of the new car market in Hong Kong. Increased sales were also recorded in Macau. Its commercial vehicles operation was quieter, while competitive pressures led to a small loss from Hyundai. Zung Fu continued to expand its dealership network in Southern China and achieved good growth in profitability with higher sales volumes and service income. Operating profits improved in the United Kingdom, despite a weaker car market, and the business is selectively acquiring additional dealerships.

Jardine Motors continues to build its market position in the United Kingdom, Hong Kong and mainland China, but in 2007 its underlying profit will not benefit from the same level of property gains.

Jardine Lloyd Thompson

Jardine Lloyd Thompson achieved a creditable performance in 2006 against the background of challenging trading conditions and further weakening of the US dollar. The turnover of its continuing operations, following disposals in the United States, rose modestly to US$851 million, while underlying profit was maintained at US$91 million. Net profit was lower at US$85 million. Non-trading items included a curtailment gain following the closure of a defined benefit scheme to reduce the group's pension exposure in the United Kingdom, offset by a loss on the sale of the group's discontinued US operations.

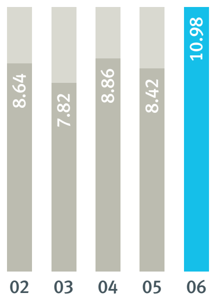
Its Risk & Insurance group, which accounts for more than 80% of revenue, faced pressure on rates and intense competition for market share. Good performances from most of its retail operations, however, produced a 2% growth in turnover despite the adverse dollar movement. Its Employee Benefits business in the United Kingdom made further progress increasing turnover by 8% and trading profit by 15%. In May, approval was received to start insurance and re-insurance broking operations in mainland China. After the year end, the group's associate SIACI announced a merger which should significantly strengthen its position in France.

In 2006, progress was made in the repositioning of Jardine Lloyd Thompson with the strengthening of its senior management, the sale of underperforming operations in the United States and the reorganization of its London market activities. Steps were also taken to reduce costs. The benefits from these actions should begin to be seen this year and more fully in 2008.

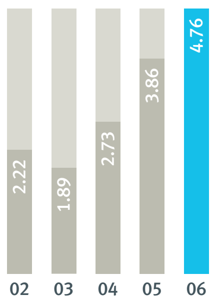
Hongkong Land is a major listed group, with some 5 million sq. ft of prime commercial property in the heart of Hong Kong. The group also develops high quality commercial and residential projects elsewhere in Asia.

	2006	2005	Change (%)
Underlying profit attributable to shareholders (US$m)	**245**	188	31
Adjusted net asset value per share* (US$)	**4.76**	3.86	23

*Based on shareholders' funds excluding deferred tax on revaluation surpluses of investment properties where no tax would be payable on a sale of the properties.



Underlying Earnings per Share (US¢)



Adjusted Net Asset Value per Share (US$)

Hongkong Land's net rental income from commercial property increased by 25% in 2006 as broad-based demand and reduced supply in Hong Kong's Central district produced higher rents and capital values. Vacancy in its commercial portfolio was maintained at 4.5% despite having added 2.8% with the completion of York House. Earnings from residential property were higher, largely due to a first contribution from the company's 77%-held affiliate in Singapore, MCL Land. Overall, underlying profit for 2006 rose 31% to US$245 million.

The value of Hongkong Land's investment assets again rose in 2006 ending the year 21% higher at US$11.7 billion, resulting in an adjusted net asset value per share of US$4.76, up 23%. The group's net profit for 2006, including the revaluation, was US$1,901 million.

Hongkong Land's strategy of broadening its commercial business regionally gained momentum as it significantly increased its portfolio in Singapore. Its joint venture development at One Raffles Quay in Singapore was fully let on completion in October 2006, while at the adjacent Marina Bay Financial Centre joint venture development, construction has begun on the first phase that includes 180,000 sq. m of office space and 428 residential units. A 194,000 sq. m second phase is also to be developed by the consortium.

Hongkong Land's reputation for quality in the commercial sector is also being recognized in the residential market, as was demonstrated in the excellent response to its new joint venture developments in Macau and Singapore. The developments of MCL Land have also attracted strong interest. Response to the launch of the final phase of Hongkong Land's joint venture development at Central Park in Beijing was more subdued following measures announced by the Government designed to dampen certain market sectors, while elsewhere in mainland China construction began on the 650-unit Phase I of Bamboo Grove, a joint venture in Chongqing.

The prospects for Hongkong Land are encouraging as the office leasing reversion cycle in its Hong Kong portfolio will continue to enhance earnings, while the retail element is expected to remain strong. This will be complemented in the coming years by the recognition of profits on residential sales.

Dairy Farm, a listed company, is a leading pan-Asian retailer. The group, together with its associates, operates over 3,500 outlets – including supermarkets, hypermarkets, health and beauty stores, convenience stores, home furnishings stores and restaurants.

	2006 (US$m)	2005 (US$m)	Change (%)
Sales including 100% of associates	6,010	5,539	9
Underlying profit attributable to shareholders	211	190	11

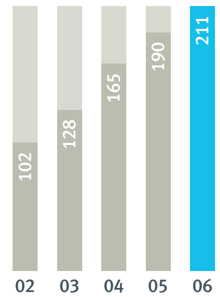
Dairy Farm's strategy has been to build leading retail businesses in Asia's growing consumer markets, and it now has 27 operations in nine countries. The group had another good year in 2006 with increases in both sales and earnings as its operations benefited from its investment programme and favourable economic conditions in its major markets. Sales, including 100% of those of associates, were up 9% to US$6.0 billion, and its underlying profit for the year rose by 11% to US$211 million.

In North Asia, sales were 4% higher in 2006, and operating profit rose by 6%. All major retail formats in Hong Kong produced improved operating results. In Southern China, the group's 7-Eleven operation increased sales and reduced losses. It ended the year with 284 stores, including the first franchised outlets, and announced the acquisition of a further 110 in March 2007. In Taiwan, IKEA incurred significant pre-opening costs for two new large stores, but has laid the foundation for future growth. Most divisions of Hong Kong restaurant associate, Maxim's, achieved good results, with excellent progress being made by the Genki Sushi chain.

In South Asia, Dairy Farm's businesses generally performed well. Sales rose 15%, but profits were only 3% higher due to costs associated with the repositioning of the Giant hypermarkets in Singapore. Active expansion programmes are being pursued in Malaysia by Giant and the Guardian health and beauty stores, both of which enjoyed substantial increases in sales and operating profit. The group's operations in Indonesia have yet to produce the required returns, but are showing some improvement and the medium-term prospects remain attractive. There was an encouraging growth in sales in India in what is becoming an increasingly competitive market. Dairy Farm acquired a small supermarket chain in Vietnam following the receipt of a license to operate a number of stores on a wholly-owned basis.

Dairy Farm's financial position remains sound and it has ample cash flow to fund its ongoing investment requirements in its Asian markets.

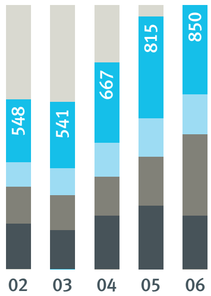
Sales including 100% of Associates (US$ million)



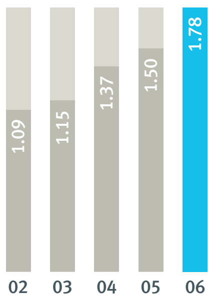
Underlying Profit Attributable to Shareholders (US$ million)

Mandarin Oriental is an international hotel investment and management group with a portfolio of 34 deluxe and first class hotels and resorts worldwide, including 14 under development. The listed company holds equity in a number of its hotels.

	2006 (US$m)	2005 (US$m)	Change (%)
Combined total revenue of hotels under management	**850**	815	4
Underlying profit attributable to shareholders	**45**	41	9



Combined Total Revenue by Geographical Area (US$ million)



Net Asset Value per Share* (US$)
*With leasehold properties at valuation

Continued improvement in Mandarin Oriental's key markets and the contribution from new hotels offset the impact on earnings arising from the nine month closure for renovation of its Hong Kong flagship property. Underlying earnings were US$45 million, compared with US$41 million in 2005 when Mandarin Oriental, Hong Kong was open throughout the year.

Net profit in 2006 was US$80 million, including a gain of US$35 million on the sale of The Mark hotel in New York. This compares with US$77 million in 2005, which included a US$36 million gain on the disposal of a property interest in Hawaii. A further gain of some US$16 million was realized in March 2007 following completion of the sale of half of the group's 50% equity interest in Mandarin Oriental, New York.

There were strong results from the group's owned hotels as The Excelsior, Hong Kong and its European properties benefited from higher room rates and increases in occupancy. Its Tokyo hotel also improved significantly as its 2005 result had included pre-opening costs. Mandarin Oriental, Hong Kong has been well received since its reopening in September 2006, achieving a 50% increase in its average room rate. The contribution from associates and joint ventures also rose, largely due to impressive performances in Singapore and New York.

Mandarin Oriental's international expansion accelerated in 2006 with the announcement of five new management contracts and the opening of its latest hotel in Prague. In the first two months of 2007, luxury hotel developments were announced in Guangzhou, Paris and Taipei. The group's portfolio now comprises 20 hotels with a further 14 under development, giving a total of 9,500 rooms in 20 countries.

Market demand is expected to remain strong in 2007, and Mandarin Oriental's results will benefit from its renovated Hong Kong property. Over the longer term, the group will see increasing contributions from its many hotels currently under development.

Jardine Cycle & Carriage is a Singapore-listed holding company with a shareholding of just over 50% in the listed Indonesian conglomerate, Astra International, and interests in motor trading in Southeast Asia.

	2006 (US$m)	2005 (US$m)	Change (%)
Revenue	7,186	3,798	89
Underlying profit attributable to shareholders	211	297	(29)
Shareholders' funds	1,906	1,544	23

Jardine Cycle & Carriage's underlying profit for 2006 fell by 29% to US$211 million. The prior year comparative included 13 months' contribution from Astra required to align its accounting period and US$19 million from the group's shareholding in MCL Land, which was distributed in specie in early 2006. Without these elements, the decline would have been 18%.

Consolidated net debt, excluding borrowing within Astra's financial services operations, was slightly lower at US$600 million with the proceeds from disposal of properties in Malaysia and the removal of MCL Land's net debt being substantially offset by capital expenditure in Astra.

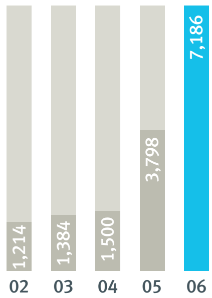
Poor market conditions in Indonesia, particularly in the automotive sector, led to a material reduction in earnings at Astra, although the effect of the decline on Jardine Cycle & Carriage's results was lessened by the strengthening of the Rupiah against the US dollar. Astra's contribution, on a comparable 12 month basis, was 18% lower at US$208 million.

Motor Trading

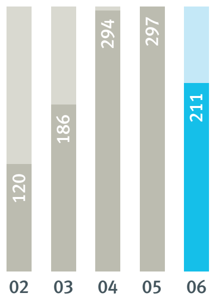
The contribution from the Jardine Cycle & Carriage's directly-held motor interests increased marginally to US$32 million. Profits from its operations in Singapore improved strongly with Mitsubishi and Mercedes-Benz performing well, offsetting declines in Cycle & Carriage Bintang in Malaysia and PT Tunas Ridean in Indonesia and the cessation of contribution from Australia. The new National Automotive Policy in Malaysia impacted Cycle & Carriage Bintang, although the efficiency of its balance sheet was enhanced following the payment of a special dividend in October. Tunas Ridean suffered from the difficult conditions in Indonesia.

Astra International

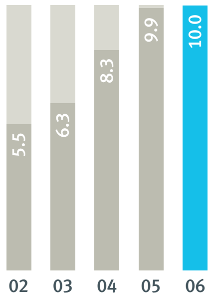
Astra was impacted by the Indonesian economy which was affected by a sharp increase in inflation and high interest rates following the removal of fuel subsidies in late 2005. Towards the end of 2006 interest rates were lowered, leading to improvements in consumer confidence. Within Astra's automotive operations, motor vehicle sales in 2006 were down 32%, although market share rose from 49% to 55% with a number of new model launches. The decline in Astra's motorcycle sales was less severe at 12% as volumes increased in the second half, albeit at lower margins, and its market share was stable at some 53%.



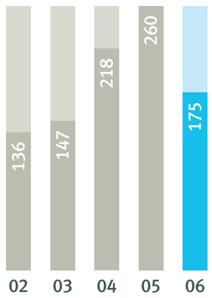
Revenue (US$ million)



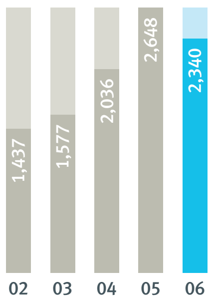
Underlying Profit Attributable to Shareholders (US$ million)



Revenue of Astra*
(US$ billion)



Motor Vehicle Sales of Astra*
(thousand units)



Motorcycle Sales of Astra*
(thousand units)

*Including 100% of associates and joint ventures

Astra's financial services businesses, which primarily support its automotive operations, declined in line with the market and recorded increases in doubtful debt provisions. Its automotive component manufacturing and trading operations were similarly affected. Earnings from Astra's agribusiness improved in US dollar terms, but in Rupiah were flat as higher costs offset a 11% increase in crude palm oil sales volumes and firmer prices. Nevertheless, the prospects remain promising, and Astra is continuing to source land for new oil palm and rubber plantations.

Its heavy equipment business, United Tractors, produced satisfactory growth in contract mining with 20% increases achieved in both overburden removal and coal extraction, although additional provisions for doubtful debts were required for mining contracts. The company's overall profit was also affected by lower sales of Komatsu equipment despite its market share remaining at 48%. In January 2007, its mining subsidiary acquired for US$34 million the rights to mine and market the coal from concessions located in South Kalimantan.

In September, Astra increased its shareholding in Bank Permata from 31.6% to 44.5% in tandem with its partner, Standard Chartered Bank. Bank Permata produced a marginal increase in profit, but further steps are being taken to improve productivity and profitability to an acceptable level. In infrastructure, Astra's investment in a toll road project performed satisfactorily. In July, it acquired a 30% interest in the franchise for the Western Jakarta water utility and is considering further infrastructure investments.

Astra's performance is expected to show improvement as Indonesian markets continue to recover, although competitive pressures remain significant. In the medium term, Astra's leadership in the automotive sector, its established market positions in financial services, agribusiness and heavy equipment, and its infrastructure investments, provide excellent opportunities for growth.

Further Interests

Rothschilds Continuation

In late 2005 the Company acquired a 20% interest in Rothschilds Continuation, an unlisted financial services holding company within the Rothschild group whose interests include the investment bank N M Rothschild & Sons. It contributed US$27 million to the Company's earnings in 2006 as its investment banking operations benefited from the high level of M&A activity in the London market. The group's other activities also showed improvement under a new management team.

Tata Industries

Tata Industries is an unlisted Indian investment company in which the Company has a 20% shareholding. In June 2006, Tata Industries sold its largest strategic investment, a 48% holding in IDEA Cellular Ltd., realizing a substantial gain. The net proceeds were applied in part to debt reduction and to the payment of a first dividend, of which the Company's share was US$16 million, with the balance being retained for future investment.

Others

Edaran Otomobil Nasional, the Malaysian motor dealership group in which the Company holds a 20% interest, experienced a difficult year in 2006 reporting only a modest net profit after tax of US$1.4 million. With the new National Automotive Policy leading to increased competition, the group's operations were impacted by the fall in market share of the Proton. The company is reviewing a number of options to reposition the business, but in the short term its prospects remain challenging.

Of the Company's smaller investments its 7% interest in The Bank of N. T. Butterfield & Son in Bermuda has performed well and the valuation of the stake has increased significantly. The value of the Company's 7% shareholding in Vietnamese bank, Asia Commercial Bank, has also enjoyed strong growth. The bank, which was floated on the Hanoi Securities Trading Center in November 2006, focuses on consumers and SMEs and has a network of 80 branches.

Anthony Nightingale
Managing Director

7th March 2007

Financial Review

Accounting Policies

There has been no change in the accounting policies adopted by the Group during the course of 2006.

Presentation of Financial Statements

The Group has changed to a multi-columnar profit and loss account highlighting underlying earnings and non-trading items. Underlying earnings is an additional measure of earnings which is used by management to monitor business performance. The revised presentation provides greater understanding of the underlying business performance of the Group's operations.

	2006 US$m	Restated 2005 US$m
Operating cash flow of subsidiary undertakings	**1,538**	219
Dividends from Jardine Matheson	**11**	–
Dividends from associates and joint ventures	**272**	226
Operating activities	**1,821**	445
Capital expenditure and investments	**(1,003)**	(150)
Cash flow before financing	**818**	295

Summarized Cash Flow

Results

Revenue increased by 46% to US$12.8 billion with a full-year contribution from Astra being the principal contributor. Total revenue, including 100% of revenue from associates and joint ventures, increased by 13% to US$27.1 billion.

Underlying operating profit was US$849 million, an increase of 75%. This reflected a full-year consolidation of the results of Astra which became a subsidiary undertaking in August 2005, and higher contribution from Dairy Farm, partially offset by reductions from Mandarin Oriental, due to the temporary closure of its principal Hong Kong hotel for renovation, and Jardine Cycle & Carriage due to the distribution in specie of its interest in MCL Land in January 2006. The overall operating profit of US$947 million also included gains from the disposal of The Mark hotel and property interests in Jardine Cycle & Carriage, while the 2005 results included profit on disposal of Mandarin Oriental's Hawaiian property and the Company's interest in EON Capital.

The underlying profit contribution from Jardine Matheson increased by 36% to US$105 million due to higher profits in Jardine Pacific and Jardine Motors, and lower corporate overheads. The overall contribution included gains from business and investment disposals in Jardine Pacific and Jardine Motors, and increase in fair value of Jardine Pacific's investment properties, while the 2005 results included gains from disposal of Pacific Finance and EastPoint.

The Group's share of underlying results of associates and joint ventures decreased by 17% to US$330 million. A higher contribution from Hongkong Land, a first-time contribution from Rothschilds and the inclusion of 100% of Astra's share of the profit from its joint ventures for a full year were more than offset by the impact of equity accounting Astra's results for seven months in 2005.

Net financing charges increased from 2005, which benefited from fair value gains on economic hedges that accounting standards require to be taken through the profit and loss account.

The underlying effective tax rate for the year was 29%, compared with 32% in 2005 which included certain prior period adjustments.

Underlying earnings per share increased 10% to US$0.86. Unusual items within underlying earnings in 2006 included certain property and pension gains in Jardine Matheson and a first dividend from Tata Industries. These aside, the growth in underlying earnings was due to increased contributions from Jardine Matheson, Hongkong Land, Dairy Farm and Mandarin Oriental, partially offset by a lower contribution from Astra and the impact of the fair value gains on economic hedges in 2005. The overall profit attributable to shareholders for the year of US$1,412 million included the surplus on the revaluation of investment properties in Hongkong Land, and profit from the sale of various businesses and investments. Overall earnings per share were US$2.30.

Dividends

The Board is recommending a final dividend of US¢11.70 per share, giving a total dividend of US¢17.00 per share for the year payable on 16th May 2007 to those persons registered as shareholders on 23rd March 2007. The dividends are payable in cash with a scrip alternative.

Cash Flow and Funding

Cash flow from operating activities for the year was an inflow of US$1,821 million. This represented an increase of US$1,376 million on 2005 due to a full-year consolidation of Astra's result and a decrease in the level of working capital due to lower financing debtors in Astra. Capital expenditure for the year before disposals amounted to US$1,335 million. This included US$686 million for the purchase of tangible assets, mainly in Dairy Farm, Mandarin Oriental and Astra, and an investment of US$311 million in increasing shareholdings in Group companies. The sale of the Company's interest in MCL Land to Hongkong Land and in The Mark hotel contributed US$129 million and US$99 million, respectively, to Group cash flow.

At the year end, undrawn committed facilities exceeded US$1.5 billion. In addition, the Group had available liquid funds of over US$1.3 billion. Overall net borrowings, excluding those relating to Astra's finance companies, remained flat from 2005 at US$1.6 billion, representing 15% of total equity. Total equity was enhanced by the surplus on the revaluation of investment properties in Hongkong Land.

The average tenor of the Group's debt at 31st December 2006 was 3.4 years *(2005: 4.7 years)*. US dollar denominated borrowings comprised 31% of the Group's total borrowings. Non-US dollar denominated borrowings are directly related to the Group's businesses in countries of the currencies concerned. As at 31st December 2006 approximately 50% of the Group's borrowings were at floating rates and the remaining 50% were at fixed rates after taking into account various interest rate swap agreements with major creditworthy financial institutions.

Asset Valuation

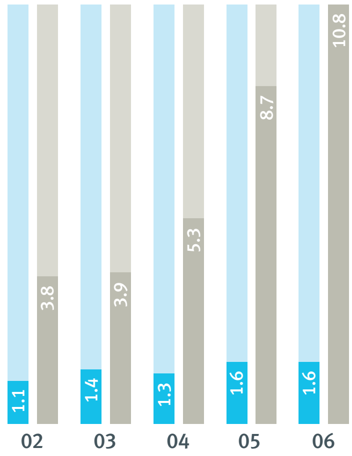
The Group's share of the surplus arising from the revaluation of investment properties amounted to US$790 million, which has been credited to the consolidated profit and loss account. The Group's other properties were also revalued at the year end resulting in an attributable net surplus of US$47 million after tax, which was recognized in reserves.

The value of the Group's other investments were remeasured at their fair values at the year end resulting in an attributable net surplus of US$226 million, which was recognized in reserves.

The Group shareholders' funds increased by 30% to US$7.6 billion. If accounting standards did not require the Group to provide deferred tax on the revaluation surplus on leasehold investment properties in Hong Kong (where there is no capital gains tax) and allowed it to revalue hotel leasehold properties, the Group's shareholders' funds would be increased by a further 17% to US$8.9 billion.

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. In those businesses with significant net debt, measures are taken to fix the rate of interest paid on a proportion of their borrowings. In respect of overseas acquisitions or expansion, borrowings may be taken in the local currency in order to partially hedge the investment. The investment of the Group's cash resources is managed so as to minimize risk while seeking to enhance yield.



Net Debt* and Total Equity (US$ billion)

*Excluding finance companies

Net Debt

Total Equity

In the course of these activities the Group enters into derivative financial instruments. Its treasury functions are, however, specifically prohibited from undertaking transactions unrelated to underlying financial exposures. 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.

James Riley
Chief Financial Officer

7th March 2007

Directors' Profiles

Henry Keswick*

CHAIRMAN

Mr. Henry Keswick 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 Holdings. He is also vice chairman of the Hong Kong Association.

A.J.L. Nightingale*

MANAGING DIRECTOR

Mr. Nightingale was appointed as Managing Director in April 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 Group 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 council member of the Hong Kong Trade Development Council, a Hong Kong representative to the APEC Business Advisory Council and a member of the Greater Pearl River Delta Business Council.

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.

P.L.A. Jamieson

Mr. Jamieson was appointed to the Board in 1990. He joined the Robert Fleming group in 1961 and was managing director of Jardine Fleming in Hong Kong between 1969 and 1975. He retired as deputy chairman of Robert Fleming in 1998. He is a director of Carlisle Companies Inc.

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. He is also a director and The Fleming Mercantile Investment Trust.

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 Holdings.

Percy Weatherall

Mr. Weatherall was Managing Director of the Company from February 2000 to March 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 a director of Dairy Farm, Hongkong Land, Jardine Matheson and Mandarin Oriental.

*Executive Director

Company Secretary and Registered Office

C.H. Wilken
Jardine House, 33-35 Reid Street
Hamilton
Bermuda

Consolidated Profit and Loss Account

for the year ended 31st December 2006

		2006			Restated 2005		
	Note	Underlying business performance US$m	Non-trading items US$m	Total US$m	Underlying business performance US$m	Non-trading items US$m	Total US$m
Revenue	1	12,845	–	12,845	8,825	–	8,825
Net operating costs	2	(11,996)	98	(11,898)	(8,341)	88	(8,253)
Operating profit	1	849	98	947	484	88	572
Financing charges		(176)	–	(176)	(118)	–	(118)
Financing income		70	–	70	63	–	63
Net financing charges	3	(106)	–	(106)	(55)	–	(55)
Share of results of Jardine Matheson	4	105	105	210	77	53	130
Share of results of associates and joint ventures	5	330	747	1,077	398	818	1,216
Profit before tax		1,178	950	2,128	904	959	1,863
Tax	6	(214)	(44)	(258)	(137)	(17)	(154)
Profit after tax		964	906	1,870	767	942	1,709
Attributable to:							
Shareholders of the Company	1 & 8	526	886	1,412	475	923	1,398
Minority interests		438	20	458	292	19	311
		964	906	1,870	767	942	1,709
				US$			US$
Earnings per share	7						
– basic				2.30			2.29
– diluted				2.25			2.28

Consolidated Balance Sheet

at 31st December 2006

	Note	2006 US$m	Restated 2005 US$m
Assets			
Intangible assets	*9*	**1,741**	1,627
Tangible assets	*10*	**2,697**	2,183
Investment properties	*11*	**33**	27
Plantations	*12*	**460**	383
Investment in Jardine Matheson	*13*	**946**	728
Associates and joint ventures	*14*	**6,135**	4,698
Other investments	*15*	**577**	307
Financing and other debtors	*16*	**1,051**	1,343
Deferred tax assets	*18*	**95**	69
Pension assets	*19*	**89**	75
Non-current assets		**13,824**	11,440
Stocks and work in progress	*20*	**1,138**	1,212
Trade, financing and other debtors	*21*	**1,910**	2,077
Current investments	*15*	**3**	–
Current tax assets		**140**	55
Bank balances and other liquid funds	*22*		
– non-finance companies		**1,145**	855
– finance companies		**173**	187
		1,318	1,042
		4,509	4,386
Non-current assets classified as held for sale	*23*	**56**	662
Current assets		**4,565**	5,048
Total assets		**18,389**	16,488

Approved by the Board of Directors

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

7th March 2007

	Note	2006 US$m	Restated 2005 US$m
Equity			
Share capital	*24*	**54**	53
Share premium and capital reserves	*25*	**1,325**	1,320
Revenue and other reserves	*26*	**7,302**	5,461
Own shares held	*28*	**(1,054)**	(975)
Shareholders' funds		**7,627**	5,859
Minority interests	*29*	**3,183**	2,858
Total equity		**10,810**	8,717
Liabilities			
Long-term borrowings	*30*		
– non-finance companies		**1,841**	1,853
– finance companies		**723**	1,005
		2,564	2,858
Deferred tax liabilities	*18*	**485**	405
Pension liabilities	*19*	**64**	41
Non-current provisions	*31*	**15**	11
Other non-current liabilities	*32*	**185**	144
Non-current liabilities		**3,313**	3,459
Creditors and accruals	*33*	**2,269**	2,224
Current borrowings	*30*		
– non-finance companies		**937**	586
– finance companies		**954**	1,169
		1,891	1,755
Current tax liabilities		**80**	111
Current provisions	*31*	**26**	26
		4,266	4,116
Liabilities directly associated with non-current assets classified as held for sale	*23*	**–**	196
Current liabilities		**4,266**	4,312
Total liabilities		**7,579**	7,771
Total equity and liabilities		**18,389**	16,488

Consolidated Statement of Recognized Income and Expense

for the year ended 31st December 2006

	2006 US$m	Restated 2005 US$m
Surpluses on revaluation of intangible assets	–	458
Surpluses on revaluation of properties	**120**	69
Gains on revaluation of other investments	**264**	38
Actuarial gains on defined benefit pension plans	**22**	27
Net exchange translation differences	**381**	(79)
(Losses)/gains on cash flow hedges	**(15)**	25
Tax on items taken directly to equity	**(67)**	(171)
Net income recognized directly in equity	**705**	367
Transfer to profit and loss on disposal of other investments	**(45)**	(20)
Transfer to profit and loss on disposal of subsidiary undertakings, associates and joint ventures	**(3)**	(6)
Transfer to profit and loss in respect of cash flow hedges	**3**	–
Profit after tax	**1,870**	1,709
Total recognized income and expense for the year	**2,530**	2,050
Attributable to:		
Shareholders of the Company	**1,794**	1,587
Minority interests	**736**	463
	2,530	2,050

Surpluses on revaluation of intangible assets represent the increase in fair value attributable to the Group's previously held interests in Astra and PT Hero Supermarket on the date they became subsidiary undertakings.

Consolidated Cash Flow Statement

for the year ended 31st December 2006

	Note	2006 US$m	Restated 2005 US$m
Operating activities			
Operating profit		947	572
Depreciation and amortization	34 (a)	377	223
Other non-cash items	34 (b)	65	35
Decrease/(increase) in working capital	34 (c)	588	(370)
Interest received		67	40
Interest and other financing charges paid		(169)	(120)
Tax paid		(337)	(161)
		1,538	219
Dividends from Jardine Matheson		11	–
Dividends from associates and joint ventures		272	226
Cash flows from operating activities		1,821	445
Investing activities			
Purchase of Astra	34 (d)	–	320
Purchase of other subsidiary undertakings	34 (e)	(47)	(101)
Purchase of associates and joint ventures	34 (f)	(465)	(297)
Purchase of other investments	34 (g)	(94)	(7)
Purchase of land use rights		(17)	(12)
Purchase of other intangible assets		(4)	–
Purchase of tangible assets		(686)	(419)
Purchase of investment properties		–	(8)
Purchase of plantations		(22)	(6)
Loans to associates, joint ventures and other		–	(13)
Sale of subsidiary undertakings	34 (h)	227	103
Sale of associates and joint ventures	34 (i)	2	109
Sale of other investments	34 (j)	27	39
Sale of land use rights		26	33
Sale of tangible assets		50	59
Sale of investment properties		–	50
Cash flows from investing activities		(1,003)	(150)
Financing activities			
Capital contribution from minority shareholders		14	3
Drawdown of borrowings		3,481	3,287
Repayment of borrowings		(3,870)	(3,043)
Dividends paid by the Company		(26)	(26)
Dividends paid to minority shareholders		(216)	(172)
Cash flows from financing activities		(617)	49
Effect of exchange rate changes		42	(2)
Net increase in cash and cash equivalents		243	342
Cash and cash equivalents at 1st January		1,044	702
Cash and cash equivalents at 31st December	34 (k)	1,287	1,044

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.

In 2006, the Group adopted the following amendments and interpretation to existing standards which are relevant to its operations:

IAS 21 (amended 2005)	Net Investment in a Foreign Operation
IAS 39 (amended 2005)	Cash Flow Hedge Accounting of Forecast Intragroup Transactions
IAS 39 (amended 2005)	The Fair Value Option
IAS 39 and IFRS4 (amended 2005)	Financial Guarantee Contracts
IFRIC 4	Determining whether an Arrangement contains a Lease

There have been no changes to the accounting policies as a result of adoption of the above amendments and interpretation.

The following standards, and amendment and interpretations to existing standards, which are relevant to the Group's operations, were published but are not yet effective in 2006:

IFRS 7, Financial Instruments: Disclosures, and the complementary amendment to IAS 1, Presentation of Financial Statements – Capital Disclosures (effective for annual periods beginning on or after 1st January 2007). IFRS 7 introduces new disclosures relating to financial instruments. The amendment to IAS 1 introduces disclosures about the level of an entity's capital and how it manages capital. The Group assessed the impact of IFRS 7 and the amendment to IAS 1 and concluded that the main additional disclosures will be the sensitivity analysis to market risk and the capital disclosures required by the amendment of IAS 1. The Group will apply IFRS 7 and the amendment to IAS 1 from 1st January 2007.

IFRS 8, Operating Segments (effective for annual periods beginning on or after 1st January 2009) supersedes IAS 14, Segment Reporting and requires the reporting of financial and descriptive information about an entity's reportable segments on the basis of internal reports that are regularly reviewed by its management. The Group assessed the impact of IFRS 8 and concluded that the main additional disclosures will be an analysis of the Group's revenue by products and services, and its non-current assets by geographical area. The Group will apply IFRS 8 from 1st January 2009.

IFRIC 8, Scope of IFRS 2 (effective for annual periods beginning on or after 1st May 2006) requires consideration of transactions involving the issuance of equity instruments – where the identifiable consideration received is less than the fair value of the equity instruments issued – to establish whether or not they fall within the scope of IFRS 2. The Group will apply IFRIC 8 from 1st January 2007, but it is not expected to have any significant impact on the results of the Group.

IFRIC 9, Reassessment of Embedded Derivatives (effective for annual periods beginning on or after 1st June 2006) prohibits reassessment of any embedded derivatives contained in a contract since becoming a party to the contract unless there is a change in the terms of the host contract that significantly modifies the cash flows that otherwise would be required under the contract, in which case reassessment is required. The Group will apply IFRIC 9 from 1st January 2007, but it is not expected to have any significant impact on the results of the Group.

IFRIC 10, Interim Financial Reporting and Impairment (effective for annual periods beginning on or after 1st November 2006) prohibits the impairment losses recognized in an interim period in respect of goodwill, investments in equity instruments and investments in financial assets carried at cost from being reversed at a subsequent balance sheet date. The Group will apply IFRIC 10 from 1st January 2007, but it is not expected to have any significant impact on the results of the Group.

IFRIC 11, IFRS 2 – Group and Treasury Share Transactions (effective for annual periods beginning on or after 1st March 2007) addresses the accounting for share-based payment transactions involving two or more entities within a group. The Group will apply IFRIC 11 from 1st January 2008, but it is not expected to have any significant impact on the results of the Group.

IFRIC 12, Service Concession Arrangements (effective for annual periods beginning on or after 1st January 2008) sets out general principles on recognizing and measuring the obligations and related rights to service concession arrangements. The Group will apply IFRIC 12 from 1st January 2008, but it is not expected to have any significant impact on the results of the Group.

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 consolidated financial statements are presented in United States Dollars.

The Group's reportable segments are set out in note 1 and are described on page 4 and pages 6 to 13.

Following completion of the initial accounting in respect of the acquisition of Astra and Rothschilds, the comparative figures for 2005 have been restated principally to reflect revisions to the provisional fair value of franchise rights in Astra determined at the date of acquisition, and the consequential change in the surplus on revaluation attributable to the Group's previously held interest.

The effect of the revisions is summarized as follows:

Decrease in shareholders' funds at 1st January 2006

	US$m
Intangible assets	(64)
Associates and joint ventures	(61)
Deferred tax liabilities	22
Total equity	(103)
Minority interests	76
Shareholders' funds	(27)
Decrease in net income recognized directly in equity for 2005	(7)

Basis of Consolidation

(a) The consolidated financial statements include the financial statements of the Company, its subsidiary undertakings and, on the basis set out in (b) below, its associates and joint ventures and its investment in Jardine Matheson. Subsidiary undertakings are entities over which the Group has the power to govern the financial and operating policies. The results of subsidiary undertakings, associates and joint ventures are included or excluded from their effective dates of acquisition or disposal respectively.

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

(b) 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 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 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.

(c) The Company has a 53% 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.

(d) 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.

(e) The results of entities other than subsidiary undertakings, associates and joint ventures are included only to the extent of dividends received.

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.

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 taken directly to exchange reserves. On the disposal of these investments, such exchange differences are recognized in the consolidated profit and loss account as part of the profit or loss on disposal. Exchange differences on other non-current investments are dealt with in reserves as part of the gains and losses arising from changes in their fair value. All other exchange differences are dealt with in the consolidated profit and loss account.

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. 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. For the purpose of assessing impairment, assets are grouped at the lowest level for which there are separately identifiable cash flows.

Intangible Assets

(a) 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, and, in respect of an increase in holding in a subsidiary undertaking, the excess of the cost of acquisition over the carrying amount of the proportion of the minority interests acquired. If the cost of acquisition is less than the fair value of the net assets acquired or the carrying amount of the proportion of the minority interests acquired, the difference is recognized directly in the consolidated profit and loss account. 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 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.

(b) 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.

(c) Land use rights are payments to third parties to acquire long-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.

(d) Intangible assets other than goodwill, franchise rights and land use rights 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 valuation. Independent valuations are 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. Depreciated replacement cost is used as the most reliable basis of allocating open market value to the building component. In the intervening years the Directors review the carrying values and adjustment is made where there has been a material change. Revaluation surpluses and deficits are dealt with in asset revaluation reserves except for movements on individual properties below depreciated cost which are dealt with in the consolidated profit and loss account. Grants related to tangible fixed assets are deducted in arriving at the carrying amount of the assets. Other tangible fixed assets are stated at cost less amounts provided for depreciation.

Depreciation is calculated on the straight line basis at annual rates estimated to write down 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 principal rates in use are as follows:

Buildings	up to $33^1/_3$%
Surface, finishes and services of hotel properties	$3^1/_3$% – 25%
Leasehold improvements	over period of the lease
Plant and machinery	5% – 50%
Furniture, equipment and motor vehicles	$6^2/_3$% – 50%

No depreciation is provided on freehold land as it is deemed to have an indefinite life.

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

Investment properties are properties held for long-term rental yields. Investment properties are carried at fair value, representing open market value determined annually by independent qualified valuers. Changes in fair values are recorded in the consolidated profit and loss account.

Plantations

Plantations principally comprise oil palm plantations and exclude the related land. Immature plantations include costs incurred for field preparation, planting, fertilizing and maintenance, borrowing costs incurred on loans used to finance the development, and an allocation of other attributable costs based on hectares planted. These costs approximate to their fair values. Plantations are considered mature three to four years after planting and once they are generating average annual fresh fruit bunches of four to six tons per hectare. Plantations are measured at each balance sheet date at their fair value, representing the present value of expected net cash flows from the assets in their present location and condition determined annually by independent qualified valuers, less estimated point of sale costs. Changes in fair value are recorded in the consolidated profit and loss account.

Investments

(a) Other non-current investments which are available for sale are shown at fair value. Gains and losses arising from changes in the fair value of non-current investments are dealt with in reserves. On the disposal of a non-current investment or when an investment is determined to be impaired, the cumulative gain or loss previously recognized in reserves is included in the consolidated profit and loss account. Other non-current investments which are held to maturity are stated at cost net of unamortized discount or premium.

(b) 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 dealt with in the consolidated profit and loss account.

(c) 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.

(a) 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.

(b) Payments made under operating leases (net of any incentives received from the lessor) are charged to the consolidated profit and loss account 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.

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.

Trade, Financing and Other Debtors

Financing debtors 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. All other debtors 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 or based on an assessment with reference to historical loss experience. Bad debts are written off during the year in which they are identified.

Financing and other debtors with maturities greater than twelve 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 as non-current assets under financing and other debtors, and bank overdrafts are included in current borrowings.

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 issue of bonds which are convertible into 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, 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.

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 their maturities are within twelve 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.

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. Provision for withholding tax which could arise on the remittance of retained earnings relating to subsidiary undertakings is only made where there is a current intention to remit such earnings. 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

(a) 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 the consolidated profit and loss account 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 full in the year in which they occur, outside the consolidated profit and loss account, in the consolidated statement of recognized income and expense.

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

(b) Share-based compensation

The Group operates a number of 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. 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 the consolidated profit and loss account.

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 either 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 recorded in the consolidated profit and loss account, 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 the consolidated profit and loss account 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 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 the consolidated profit and loss account and classified as income or expense in the same periods during which the hedged firm commitment or forecasted transaction affects the consolidated profit and loss account. 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 the consolidated profit and loss account. 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 the consolidated profit and loss account.

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 consolidated profit and loss account.

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 the consolidated profit and loss account.

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 twelve months after the balance sheet date.

Financial Guarantee Contracts

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; 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; 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
Revenue consists of the gross inflow, excluding sales taxes, of economic benefits associated with a transaction. Revenue from the sale of goods is recognized when the significant risks and rewards of ownership of the goods have been transferred to customers, revenue from the rendering of services is recognized when services are performed, provided that the amount can be measured reliably, and 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.

Pre-operating Costs
Pre-operating costs are expensed as they are incurred.

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.

(a) 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, land use 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.

(b) Tangible fixed assets and depreciation
Freehold land and buildings, and the building component of owner-occupied leasehold properties are valued every three years by independent valuers. In the intervening years the Group reviews the carrying values and adjustment is made where there has been a material change. In arriving at the valuation of land and buildings, assumptions and economic estimates have to be made.

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.

(c) Investment properties
The fair values of investment properties are determined by independent valuers on an open market for existing-use basis calculated on the 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.

(d) Plantations
The fair values of plantations are determined by independent valuers based on the expected cash flows from the plantations.

(e) 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 discount rates or the growth rate assumptions in the cash flow projections, could materially affect the value-in-use calculations.

The Group has recognized at fair value on acquisition of Astra indefinite life franchise rights of US$521 million, classified within intangible assets, associates and joint ventures, and deferred tax liabilities on the consolidated balance sheet. The results of the impairment reviews undertaken at 31st December 2006 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 businesses to which these rights attach, it may be necessary to take an impairment charge to the consolidated profit and loss account in the future.

The guidance of IAS 39 (amended 2004) is followed in determining when an investment is other-than-temporarily impaired. This determination requires significant judgement. 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.

(f) 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.

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.

As required by International Financial Reporting Standards, provision for deferred tax is made on the revaluation of investment properties held under operating leases on the basis that their values would be recovered through use rather than through sale.

(g) 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 liability.

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

(h) 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.

Comparative Figures
Certain comparative figures have been reclassified to conform with the current year presentation.

1 Segmental Information

Jardine Strategic has six principal businesses as more fully described on page 4. Accordingly, its primary segment reporting format is by business segments and its secondary segment information is reported geographically. Geographic segments are based on the location of the operations, except revenue which is based on the location of customers.

	Revenue together with revenue of associates and joint ventures		Revenue		Segment results	
	2006 US$m	2005 US$m	**2006** US$m	2005 US$m	**2006** US$m	2005 US$m
By business:						
Jardine Matheson	**6,618**	6,215	**–**	–	**–**	–
Hongkong Land	**556**	368	**–**	–	**–**	–
Dairy Farm	**6,010**	5,539	**5,175**	4,749	**233**	224
Mandarin Oriental	**731**	703	**405**	399	**122**	113
Jardine Cycle & Carriage	**1,595**	1,619	**1,119**	1,087	**54**	61
Astra						
– automotive	**6,461**	7,102	**3,384**	1,483	**131**	39
– financial services	**1,424**	990	**805**	321	**82**	20
– agribusiness	**411**	344	**411**	156	**159**	59
– heavy equipment	**1,581**	1,426	**1,500**	620	**178**	70
– other	**169**	107	**70**	28	**14**	2
– inter-segment transactions/ balances	**(26)**	(29)	**(27)**	(18)	**–**	(5)
	10,020	9,940	**6,143**	2,590	**564**	185
– goodwill	**–**	–	**–**	–	**–**	–
– fair value of segment assets acquired	**–**	–	**–**	–	**–**	–
	10,020	9,940	**6,143**	2,590	**564**	185
	25,530	24,384	**12,842**	8,825	**973**	583
Corporate and other interests	**1,854**	–	**3**	–	**(26)**	(11)
Inter-segment transactions/ balances	**(248)**	(300)	**–**	–	**–**	–
	27,136	24,084	**12,845**	8,825	**947**	572
By geographical location:						
Europe	**2,511**	2,312	**123**	106	**28**	21
Hong Kong and mainland China	**6,803**	6,290	**2,444**	2,387	**121**	158
North America	**361**	512	**64**	93	**81**	42
Northeast Asia	**766**	680	**559**	491	**4**	8
Southeast Asia	**15,089**	14,590	**9,652**	5,748	**739**	354
	25,530	24,384	**12,842**	8,825	**973**	583
Corporate and other interests	**1,854**	–	**3**	–	**(26)**	(11)
Inter-segment transactions/ balances	**(248)**	(300)	**–**	–	**–**	–
	27,136	24,084	**12,845**	8,825	**947**	572
Segment results					**947**	572
Results of Jardine Matheson					**210**	130
Results of Hongkong Land					**856**	900
Results of other associates and joint ventures					**221**	316
Net financing charges and tax					**(364)**	(209)
Profit after tax					**1,870**	1,709

Revenue consists primarily of the sale of goods. Rental income from investment properties amounted to US$2 million *(2005: US$3 million)*.

Revenue together with revenue of associates and joint ventures includes 100% of revenue from associates and joint ventures. For a more meaningful comparison of the current year figure, the revenues of Astra's associates and joint ventures for the seven months ended 31st July 2005, before Astra was consolidated as a subsidiary undertaking, are included in the comparative figures for 2005.

Capital expenditure comprises additions of intangible assets, tangible assets, investment properties and plantations, including those arising from acquisitions of subsidiary undertakings.

	Underlying profit attributable to shareholders		Capital expenditure		Segment assets		Segment liabilities	
	2006	2005	**2006**	2005	**2006**	2005	**2006**	2005
	US$m	US$m	US$m	US$m	US$m	US$m	US$m	US$m
	105	77	**–**	–	**–**	–	**–**	–
	107	82	**–**	–	**–**	–	**–**	–
	165	149	**218**	242	**1,756**	1,544	**(1,287)**	(1,136)
	33	26	**130**	56	**1,367**	1,217	**(93)**	(85)
	20	30	**14**	35	**364**	870	**(128)**	(322)
	62	116	**110**	64	**1,211**	1,048	**(341)**	(361)
	22	12	**33**	9	**2,257**	2,839	**(1,972)**	(2,453)
	28	20	**63**	26	**780**	687	**(40)**	(39)
	18	20	**221**	157	**1,264**	1,237	**(340)**	(355)
	(4)	(9)	**8**	4	**72**	97	**(20)**	(13)
	–	–	**–**	–	**(8)**	(82)	**8**	55
	126	159	**435**	260	**5,576**	5,826	**(2,705)**	(3,166)
	–	–	**7**	219	**268**	241	**–**	–
	–	–	**–**	1,789	**–**	–	**–**	–
	126	159	**442**	2,268	**5,844**	6,067	**(2,705)**	(3,166)
	556	523	**804**	2,601	**9,331**	9,698	**(4,213)**	(4,709)
	(30)	(48)	**–**	–	**9**	7	**(34)**	(21)
	–	–	**–**	–	**–**	–	**–**	–
	526	475	**804**	2,601	**9,340**	9,705	**(4,247)**	(4,730)
	37	26	**8**	13	**528**	419	**(17)**	(15)
	233	219	**164**	65	**1,199**	1,053	**(574)**	(554)
	31	1	**1**	5	**202**	273	**(68)**	(24)
	4	1	**39**	27	**210**	185	**(113)**	(110)
	251	276	**592**	2,491	**7,192**	7,768	**(3,441)**	(4,006)
	556	523	**804**	2,601	**9,331**	9,698	**(4,213)**	(4,709)
	(30)	(48)	**–**	–	**9**	7	**(34)**	(21)
	–	–	**–**	–	**–**	–	**–**	–
	526	475	**804**	2,601	**9,340**	9,705	**(4,247)**	(4,730)
Segment assets and liabilities					**9,340**	9,705	**(4,247)**	(4,730)
Investment in Jardine Matheson					**946**	728	**–**	–
Investment in Hongkong Land					**4,241**	3,179	**–**	–
Investment in other associates and joint ventures					**1,908**	1,553	**–**	–
Unallocated assets and liabilities					**1,954**	1,323	**(3,332)**	(3,041)
Total assets and liabilities					**18,389**	16,488	**(7,579)**	(7,771)

Northeast Asia includes Japan, South Korea and Taiwan. Southeast Asia includes Australia and other countries in Asia in which the Group operates.

Unallocated assets and liabilities comprise other investments, tax assets and liabilities, and cash and cash equivalents and borrowings of non-finance companies.

2 Net Operating Costs

	2006 US$m	2005 US$m
Cost of sales	(9,672)	(6,577)
Other operating income	279	198
Selling and distribution costs	(1,647)	(1,288)
Administration expenses	(715)	(529)
Other operating expenses	(143)	(57)
	(11,898)	(8,253)
The following credits/(charges) are included in net operating costs:		
Cost of stocks and properties for sale recognized as expense	(8,301)	(6,162)
Depreciation of tangible assets	(360)	(215)
Amortization of land use rights and other intangible assets	(17)	(8)
Impairment of goodwill	–	(1)
Impairment of tangible assets	(3)	–
Impairment of trade, financing and other debtors	(118)	(85)
Operating expenses arising from investment properties	(1)	(1)
Employee benefit expense		
– salaries and benefits in kind	(1,030)	(729)
– defined benefit pension plans *(refer note 19)*	(23)	(31)
– defined contribution pension plans	(27)	(23)
	(1,080)	(783)
Net foreign exchange gains	52	8
Operating leases		
– minimum lease payments	(428)	(361)
– contingent rents	(5)	(3)
– subleases	23	14
	(410)	(350)
Income from other investments	28	20
Rental income	9	16
Net operating costs included the following gains from non-trading items:		
Increase in fair value of investment properties	7	–
Sale and closure of businesses	81	49
Sale of investments	–	21
Revaluation of properties	–	1
Sale of property interests	10	2
Other	–	15
	98	88

3 Net Financing Charges

	2006 US$m	2005 US$m
Interest expense		
– bank loans and advances	(124)	(85)
– bonds and other loans	(49)	(27)
	(173)	(112)
Commitment and other fees	(3)	(3)
Fair value loss on cash flow hedges	–	(3)
Financing charges	(176)	(118)
Fair value gain on economic hedges of net investment in foreign entities	2	22
Interest income on bank and other deposits	68	41
Financing income	70	63
	(106)	(55)

4 Share of Results of Jardine Matheson

	2006 US$m	2005 US$m
Share of results of Jardine Matheson included the following gains/(losses) from non-trading items:		
Increase in fair value of investment properties	37	9
Sale and closure of businesses	20	32
Sale of investments	46	–
Pension curtailment	7	–
Buyout of minority interests in Jardine Lloyd Thompson	–	10
Revaluation of properties	–	1
Sale of property interests	–	2
Restructuring of businesses	(5)	(1)
	105	53

Results are shown after tax and minority interests.

5 Share of Results of Associates and Joint Ventures

	2006 US$m	2005 US$m
By business:		
Hongkong Land	**856**	900
Dairy Farm	**28**	29
Mandarin Oriental	**13**	11
Jardine Cycle & Carriage	**3**	193
Astra	**151**	82
Corporate and other interests	**26**	1
	1,077	1,216
Share of results of associates and joint ventures included the following gains/(losses) from non-trading items:		
Increase in fair value of investment properties	**751**	813
Sale and closure of businesses	**(4)**	5
Sale of investments	**2**	–
Revaluation of properties	**–**	4
Other	**(2)**	(4)
	747	818

Results are shown after tax and minority interests.

6 Tax

	2006 US$m	2005 US$m
Current tax		
– charge for the year	**(268)**	(126)
– under provision in prior years	**–**	(19)
Deferred tax	**10**	(9)
	(258)	(154)
Reconciliation between tax expense and tax at the applicable tax rate:		
Tax at applicable tax rate	**(234)**	(121)
Income not subject to tax	**12**	36
Expenses not deductible for tax purposes	**(19)**	(35)
Tax losses and temporary differences not recognized	**(9)**	(12)
Utilization of previously unrecognized tax losses and temporary differences	**4**	22
Recognition of previously unrecognized tax losses and temporary differences	**4**	(10)
Deferred tax assets written off	**(1)**	(2)
Deferred tax liabilities written back	**1**	3
Under provision in prior years	**–**	(19)
Withholding tax	**(14)**	(14)
Other	**(2)**	(2)
	(258)	(154)

The applicable tax rate represents the weighted average of the rates of taxation prevailing in the territories in which the Group operates.

Tax includes United Kingdom tax of US$4 million *(2005: US$1 million)*.

7 Earnings per Share

Basic earnings per share are calculated on profit attributable to shareholders of US$1,412 million *(2005: US$1,398 million)* and on the weighted average number of 614 million *(2005: 610 million)* shares in issue during the year.

Diluted earnings per share are calculated on profit attributable to shareholders of US$1,381 million *(2005: US$1,394 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.

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:

		2006			2005	
		Basic earnings per share	**Diluted earnings per share**		Basic earnings per share	Diluted earnings per share
	US$m	US$	US$	US$m	US$	US$
Profit attributable to shareholders	**1,412**	**2.30**	**2.25**	1,398	2.29	2.28
Non-trading items *(refer note 8)*	**(886)**			(923)		
Underlying profit attributable to shareholders	**526**	**0.86**	**0.85**	475	0.78	0.77

8 Non-trading Items

An analysis of non-trading items after interest, tax and minority interests is set out below:

	2006 US$m	2005 US$m
Increase in fair value of investment properties		
– Hongkong Land	751	813
– Jardine Matheson	37	9
– other	2	–
	790	822
Sale and closure of businesses		
– Appleyard Vehicle Contracts	21	–
– EastPoint	–	12
– Pacific Finance	–	12
– The Mark	26	–
– Kahala Mandarin Oriental	–	27
– motor operations	2	2
– insurance broking	(5)	1
– other	2	9
	46	63
Sale of investments	48	21
Pension curtailment	7	–
Buyout of minority interests in Jardine Lloyd Thompson	–	10
Revaluation of properties	–	4
Sale of property interests	3	3
Restructuring of businesses	(5)	(1)
Other	(3)	1
	886	923

9 Intangible Assets

	Goodwill US$m	Franchise rights US$m	Land use rights US$m	Other US$m	Total US$m
2006					
Cost					
– as previously reported	607	288	813	7	**1,715**
– revision of fair value adjustments	8	(72)	–	–	**(64)**
– as restated	615	216	813	7	**1,651**
Amortization and impairment	(1)	–	(23)	–	**(24)**
Net book value at 1st January	614	216	790	7	**1,627**
Exchange differences	25	18	36	1	**80**
New subsidiary undertakings	–	–	6	–	**6**
Additions	43	–	17	4	**64**
Disposals	–	–	(14)	–	**(14)**
Amortization	–	–	(16)	(1)	**(17)**
Classified as non-current assets held for sale	–	–	(5)	–	**(5)**
Net book value at 31st December	**682**	**234**	**814**	**11**	**1,741**
Cost	683	234	853	12	**1,782**
Amortization and impairment	(1)	–	(39)	(1)	**(41)**
	682	**234**	**814**	**11**	**1,741**
2005					
Cost	357	–	441	–	798
Amortization and impairment	–	–	(18)	–	(18)
Net book value at 1st January	357	–	423	–	780
Exchange differences	–	2	2	(1)	3
New subsidiary undertakings	–	214	393	8	615
Additions	265	–	12	–	277
Disposals	–	–	(32)	–	(32)
Amortization	–	–	(8)	–	(8)
Impairment charge	(1)	–	–	–	(1)
Classified as non-current assets held for sale	(7)	–	–	–	(7)
Net book value at 31st December	614	216	790	7	1,627
Cost	615	216	813	7	1,651
Amortization and impairment	(1)	–	(23)	–	(24)
	614	216	790	7	1,627

9 Intangible Assets *(continued)*

	2006 US$m	2005 US$m
Goodwill allocation by business:		
Dairy Farm	**391**	350
Mandarin Oriental	**23**	23
Astra	**268**	241
	682	614

Other intangible assets comprised trademarks and computer software.

Additions of goodwill in 2006 included US$27 million relating to the purchase of an additional 25.5% interest in PT Hero Supermarket by Dairy Farm under a put option *(refer note 32)*.

The Directors have performed an impairment review of the carrying amount of goodwill at 31st December 2006 and have concluded that no impairment is required. For the purpose of impairment testing, goodwill acquired has been allocated to individual cash-generating units identified by business or geographical segments which are reviewed for impairment based on forecast operating performance and cash flows or the market price of the segment.

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 amount of franchise rights is not amortized as such rights will contribute cash flows for an indefinite period. The Directors have performed an impairment review of the carrying amount of franchise rights at 31st December 2006 based on forecast operating performance and cash flows of the related businesses and have concluded that no impairment is required.

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 4% and 50% and average growth rates of up to 8% 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 9% and 28% 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.

At 31st December 2006, the carrying amount of land use rights pledged as security for borrowings amounted to US$197 million *(2005: US$212 million) (refer note 30)*.

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.

10 Tangible Assets

	Freehold properties US$m	Leasehold properties US$m	Leasehold improvements US$m	Plant & machinery US$m	Furniture, equipment & motor vehicles US$m	Total US$m
2006						
Cost or valuation	458	622	459	830	752	**3,121**
Depreciation and impairment	(11)	(74)	(229)	(272)	(352)	**(938)**
Net book value at 1st January	447	548	230	558	400	**2,183**
Exchange differences	33	37	21	41	29	**161**
New subsidiary undertakings	–	2	1	8	3	**14**
Additions	16	133	100	279	169	**697**
Disposals	(1)	(14)	(3)	(28)	(19)	**(65)**
Depreciation charge	(3)	(38)	(41)	(157)	(121)	**(360)**
Impairment charge	–	–	–	(1)	(2)	**(3)**
Net revaluation surplus	48	23	–	–	–	**71**
Reclassified from non-current assets held for sale	–	2	–	–	–	**2**
Classified as non-current assets held for sale	–	(3)	–	–	–	**(3)**
Net book value at 31st December	**540**	**690**	**308**	**700**	**459**	**2,697**
Cost or valuation	553	804	567	1,088	892	3,904
Depreciation and impairment	(13)	(114)	(259)	(388)	(433)	(1,207)
	540	**690**	**308**	**700**	**459**	**2,697**
2005						
Cost or valuation	433	425	401	387	422	2,068
Depreciation and impairment	(7)	(56)	(257)	(234)	(298)	(852)
Net book value at 1st January	426	369	144	153	124	1,216
Exchange differences	(26)	(11)	(9)	1	(1)	(46)
New subsidiary undertakings	–	225	57	367	220	869
Additions	5	48	81	165	141	440
Disposals	–	(6)	(3)	(36)	(9)	(54)
Depreciation charge	(4)	(23)	(40)	(74)	(74)	(215)
Net revaluation surplus	30	7	–	–	–	37
Reclassification	16	–	–	(16)	–	–
Reclassified from non-current assets held for sale	–	7	–	–	–	7
Classified as non-current assets held for sale	–	(68)	–	(2)	(1)	(71)
Net book value at 31st December	447	548	230	558	400	2,183
Cost or valuation	458	622	459	830	752	3,121
Depreciation and impairment	(11)	(74)	(229)	(272)	(352)	(938)
	447	548	230	558	400	2,183

10 Tangible Assets *(continued)*

The Group's freehold properties and the building component of leasehold properties were revalued at 31st December 2005 by independent professionally qualified valuers. The Directors have reviewed the carrying value at 31st December 2006 and, as a result, deficits on individual properties below depreciated cost of US$1 million *(2005: nil)* and impairment loss of US$3 million *(2005: nil)* have been charged to the consolidated profit and loss account. A net surplus of US$72 million *(2005: US$37 million)* has been taken directly to asset revaluation reserves. The amount attributable to the Group, after tax and minority interests, are nil, US$2 million and US$41 million respectively.

Freehold properties include a hotel property of US$111 million *(2005: US$114 million)*, which is stated net of a grant of US$31 million *(2005: US$32 million)*.

At 31st December 2006, the carrying amount of tangible assets pledged as security for borrowings amounted to US$1,244 million *(2005: US$991 million) (refer note 30)*.

If the freehold properties and the building component of leasehold properties had been included in the financial statements at cost less depreciation, the carrying value would have been US$1,047 million *(2005: US$904 million)*.

11 Investment Properties

	Freehold properties US$m	Leasehold properties US$m	Total US$m
2006			
At 1st January	4	23	**27**
Exchange differences	–	2	**2**
Net revaluation surplus	–	6	**6**
Classified as non-current assets held for sale	–	(2)	**(2)**
At 31st December	**4**	**29**	**33**
2005			
At 1st January	24	7	31
New subsidiary undertakings	–	20	20
Additions	8	–	8
Disposals	(11)	–	(11)
Net revaluation deficit	–	(1)	(1)
Reclassified from non-current assets held for sale	4	–	4
Classified as non-current assets held for sale	(21)	(3)	(24)
At 31st December	4	23	27

12 Plantations

The Group's plantation assets are primarily for the production of palm oil which, after refining, is sold as crude palm oil.

	2006 US$m	2005 US$m
Movement in fair value of plantations for the year:		
At 1st January	383	–
Exchange differences	33	3
New subsidiary undertakings	–	359
Additions	22	6
Net increase in fair value	22	15
At 31st December	460	383
Immature plantations	36	14
Mature plantations	424	369
	460	383

During the year, 3.0 million *(2005: 1.1 million)* tons of produce were harvested from the plantations with a fair value at the point of harvest less point of sale costs of US$246 million *(2005: US$76 million)*.

The plantations are valued by independent qualified valuers at fair value less point of sale costs using the discounted cash flow method.

The major assumptions used in the valuation of the 157,841 *(2005: 152,035)* hectares of plantation at 31st December are as follows:

	2006	2005
Fresh fruit bunch price per ton (US$)	80 – 87	63 – 77
Fresh fruit bunch annual price inflation (%)	3.0	2.5
Annual cost inflation (%)	10	5 – 15
Discount rate (%)	16	16 – 19

At 31st December 2006, the carrying amount of plantations pledged as security for borrowings amounted to US$54 million *(2005: US$102 million)* *(refer note 30)*.

13 Investment in Jardine Matheson

	2006 US$m	2005 US$m
Share of attributable net assets including own shares held	1,733	1,469
Less own shares held *(refer note 28)*	(1,054)	(975)
Share of attributable net assets	679	494
Goodwill on acquisition	267	234
	946	728
Market value	7,004	5,505
Movements of share of attributable net assets for the year:		
At 1st January	494	398
Revaluation of properties		
– net revaluation surplus	–	8
– deferred tax	–	(2)
Revaluation of other investments		
– fair value gain	34	11
– transfer to profit and loss on disposals	(45)	–
Defined benefit pension plans		
– actuarial gain/(loss)	20	(13)
– deferred tax	(4)	3
Net exchange translation differences		
– amount arising in year	14	(6)
– transfer to profit and loss on disposals	–	(4)
Cash flow hedges		
– fair value gain	4	–
– deferred tax	(1)	–
Share of results after tax and minority interests	210	130
Share of dividends of the Company *(refer note 27)*	73	68
Dividends received	(147)	(128)
Share of employee share options granted	3	3
Change in attributable interests	136	129
Transfer to goodwill	(33)	(32)
Change in own shares held	(79)	(71)
At 31st December	679	494
Movements of goodwill on acquisition for the year:		
Net book value at 1st January	234	202
Additions	33	32
Net book value at 31st December	267	234

14 Associates and Joint Ventures

	2006 US$m	2005 US$m
Listed associates		
– Hongkong Land	4,204	3,158
– The Oriental Hotel (Thailand)	69	60
– Tunas Ridean	29	26
	4,302	3,244
Unlisted associates	523	526
	4,825	3,770
Listed joint venture – Bank Permata	230	146
Unlisted joint ventures	975	752
	1,205	898
Share of attributable net assets	6,030	4,668
Goodwill on acquisition	105	30
	6,135	4,698
Market value of listed associates	4,320	3,180
Market value of listed joint venture	332	180

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

	2006 US$m	2005 US$m
Associates		
Total assets	10,702	9,208
Total liabilities	(5,732)	(5,387)
Total equity	4,970	3,821
Attributable to minority interests	(145)	(51)
Attributable net assets	4,825	3,770
Revenue	1,607	3,016
Profit after tax and minority interests	929	1,143
Capital commitments	773	531
Contingent liabilities	39	4
Joint ventures		
Non-current assets	1,307	979
Current assets	2,405	1,490
Non-current liabilities	(2,156)	(1,279)
Current liabilities	(348)	(289)
Total equity	1,208	901
Attributable to minority interests	(3)	(3)
Attributable net assets	1,205	898
Revenue	2,671	1,103
Profit after tax and minority interests	148	73
Capital commitments	31	4
Contingent liabilities	156	154

14 Associates and Joint Ventures *(continued)*

	2006 US$m	2005 US$m
Movements of share of attributable net assets for the year:		
At 1st January		
– as previously reported	4,734	3,603
– revision of fair value adjustments in respect of Rothschilds	(6)	–
– revision of fair value adjustments in respect of Astra	(60)	–
– as restated	4,668	3,603
Revaluation of properties		
– net revaluation surplus	48	20
– deferred tax	(17)	(4)
Revaluation of other investments		
– fair value gain/(loss)	33	(2)
– deferred tax	(7)	–
Defined benefit pension plans		
– actuarial (loss)/gain	(5)	1
– deferred tax	1	(1)
Net exchange translation differences		
– amount arising in year	129	(45)
Cash flow hedges		
– fair value (loss)/gain	(12)	13
– deferred tax	1	(1)
– transfer to profit and loss	4	–
Share of results after tax and minority interests	1,077	1,216
Dividends received	(272)	(226)
New subsidiary undertakings	–	880
Reclassification as subsidiary undertakings	–	(988)
Acquisitions and change in attributable interest	405	272
Disposals	(9)	(53)
Classified as non-current assets held for sale	(14)	(34)
Equity component of convertible bonds issued by an associate	–	27
Other	–	(10)
At 31st December	6,030	4,668
Movements of goodwill on acquisition for the year:		
Net book value at 1st January		
– as previously reported	25	64
– revision of fair value adjustments in respect of Rothschilds	5	–
– as restated	30	64
Net exchange translation differences	1	(4)
Additions	74	152
Reclassification as subsidiary undertakings	–	(182)
Net book value at 31st December	105	30

Astra and PT Hero Supermarket became subsidiary undertakings during 2005. Accordingly, the Group's share of attributable net assets and goodwill at the date on which the Group obtained control were reclassified and included in the separate assets and liabilities of the Group.

15 Other Investments

	2006 US$m	2005 US$m
Available-for-sale financial assets		
Listed securities		
– Asia Commercial Bank	77	–
– Edaran Otomobil Nasional	26	40
– Schindler Holdings	69	44
– The Bank of N.T. Butterfield	113	83
– other	67	6
	352	173
Unlisted securities	222	129
	574	302
Held-to-maturity financial assets		
Unlisted securities	6	5
	580	307
Non-current	577	307
Current	3	–
	580	307
Movements for the year:		
At 1st January	307	300
Exchange differences	6	(2)
New subsidiary undertakings	–	24
Additions	97	8
Disposals and capital repayments	(27)	(52)
Net revaluation surplus	197	29
At 31st December	580	307

16 Financing and Other Debtors

	2006 Carrying amount US$m	2006 Fair value US$m	2005 Carrying amount US$m	2005 Fair value US$m
Financing debtors *(refer note 17)*	**963**	**1,039**	1,218	1,218
Mezzanine loans				
– joint ventures	**–**	**–**	31	31
– other	**12**	**12**	12	12
Interest rate swaps and forward foreign exchange contracts	**5**	**5**	10	10
Restricted bank balances and deposits *(refer note 22)*	**6**	**6**	10	10
Loans to employees	**17**	**11**	21	21
Other	**48**	**42**	41	41
	1,051	**1,115**	1,343	1,343

The mezzanine loan of US$12 million *(2005: US$12 million)* represents a loan provided in respect of the Boston hotel project in Mandarin Oriental. The loan bears interest at 13% per annum with no fixed terms of repayment. The mezzanine loan of US$31 million to Mandarin Oriental, New York, which bears interest at 13.5% per annum with no fixed terms of repayment, has been classified as a non-current asset held for sale.

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.

17 Financing Debtors

	2006 US$m	2005 US$m
Consumer financing		
– gross	1,959	2,520
– provision for impairment	(97)	(105)
	1,862	2,415
Financing leases		
– lease receivables	89	31
– guaranteed residual value	26	11
– security deposits	(26)	(11)
– gross investment	89	31
– unearned lease income	(16)	(5)
– net investment	73	26
– provision for impairment	(1)	(1)
	72	25
	1,934	2,440
Non-current *(refer note 16)*	963	1,218
Current *(refer note 21)*	971	1,222
	1,934	2,440

The due dates of investment in financing leases at 31st December were as follows:

	2006		2005	
	Gross investment US$m	Net investment US$m	Gross investment US$m	Net investment US$m
Within one year	45	35	16	12
Between one and two years	31	26	11	10
Between two and five years	13	12	4	4
	89	73	31	26

At 31st December 2006, the carrying amount of consumer financing debtors pledged as security for borrowings amounted to US$431 million *(2005: US$432 million) (refer note 30)*.

18 Deferred Tax Assets/(Liabilities)

	Accelerated tax depreciation US$m	Asset revaluation US$m	Losses US$m	Provisions and other temporary differences US$m	Total US$m
2006					
At 1st January					
– as previously reported	(57)	(381)	11	69	**(358)**
– revision of fair value adjustments	–	22	–	–	**22**
– as restated	(57)	(359)	11	69	**(336)**
Exchange differences	(2)	(23)	1	1	**(23)**
New subsidiary undertakings	–	(1)	–	–	**(1)**
Subsidiary undertakings disposed of	(1)	2	–	–	**1**
Credited to consolidated profit and loss account	–	(6)	2	13	**9**
Charged to equity	–	(37)	–	(4)	**(41)**
Classified as non-current assets held for sale	–	1	–	–	**1**
At 31st December	**(60)**	**(423)**	**14**	**79**	**(390)**
Deferred tax assets	6	(4)	13	80	**95**
Deferred tax liabilities	(66)	(419)	1	(1)	**(485)**
	(60)	**(423)**	**14**	**79**	**(390)**
2005					
At 1st January	(16)	(75)	15	(13)	(89)
Exchange differences	3	1	–	(1)	3
New subsidiary undertakings	(4)	(296)	5	75	(220)
Charged to consolidated profit and loss account	(22)	–	(9)	21	(10)
Charged to equity	–	(7)	–	(12)	(19)
Reclassification	(18)	18	–	–	–
Classified as non-current assets held for sale	–	–	–	(1)	(1)
At 31st December	(57)	(359)	11	69	(336)
Deferred tax assets	20	(16)	11	54	69
Deferred tax liabilities	(77)	(343)	–	15	(405)
	(57)	(359)	11	69	(336)

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$46 million *(2005: US$38 million)* arising from unused tax losses of US$186 million *(2005: US$149 million)* have not been recognized in the financial statements. Included in the unused tax losses, US$126 million have no expiry date and the balance will expire at various dates up to and including 2013.

Deferred tax liabilities of US$80 million *(2005: US$74 million)* on temporary differences associated with investments in subsidiary undertakings of US$797 million *(2005: US$735 million)* have not been recognized as there is no current intention of remitting the retained earnings to the holding companies.

19 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:

	2006 Weighted average %	2005 Weighted average %
Discount rate applied to pension obligations	**7.3**	7.6
Expected return on plan assets	**6.6**	6.3
Future salary increases	**6.5**	6.0

The expected return on plan assets is determined on the basis of long-term average returns on global equities of 6% to 10% per annum and global bonds of 3.5% 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:

	2006 US$m	2005 US$m
Fair value of plan assets	**285**	243
Present value of funded obligations	**(225)**	(189)
	60	54
Present value of unfunded obligations	**(56)**	(40)
Unrecognized past service cost	**21**	20
Net pension assets	**25**	34
Analysis of net pension assets:		
Pension assets	**89**	75
Pension liabilities	**(64)**	(41)
	25	34

19 Pension Plans *(continued)*

	2006 US$m	2005 US$m
Movements in the fair value of plan assets:		
At 1st January	**243**	190
Exchange differences	**3**	–
New subsidiary undertakings	**–**	57
Expected return on plan assets	**16**	14
Actuarial gains	**25**	19
Contributions from sponsoring companies	**9**	9
Contributions from plan members	**2**	2
Benefits paid	**(13)**	(10)
Curtailment and settlement	**(1)**	(38)
Transfer from other plans	**1**	–
At 31st December	**285**	243
Movements in the present value of obligations:		
At 1st January	**(229)**	(127)
Exchange differences	**(8)**	1
New subsidiary undertakings	**(1)**	(124)
Current service cost	**(21)**	(19)
Interest cost	**(18)**	(16)
Gain/(loss) on curtailment and settlement	**1**	(10)
Contributions from plan members	**(2)**	(2)
Actuarial (losses)/gains	**(18)**	20
Benefits paid	**13**	10
Curtailment and settlement	**1**	38
Settlement of unfunded obligations	**2**	–
Transfer from other plans	**(1)**	–
At 31st December	**(281)**	(229)

19 Pension Plans *(continued)*

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

	2006 US$m	2005 US$m
Equity instruments	**185**	151
Debt instruments	**74**	81
Other assets	**26**	11
	285	243

The five year history of experience adjustments is as follows:

	2006 US$m	2005 US$m	2004 US$m	2003 US$m	2002 US$m
Fair value of plan assets	**285**	243	190	167	125
Present value of obligations	**(281)**	(229)	(127)	(121)	(121)
Surplus	**4**	14	63	46	4
Experience adjustments on plan assets	**23**	20	12	28	(21)
Percentage of plan assets (%)	***8***	*8*	*7*	*17*	*17*
Experience adjustments on plan obligations	**–**	–	5	9	8
Percentage of plan obligations (%)	**–**	–	*4*	*7*	*6*

The estimated amount of contributions expected to be paid to the plans in 2007 is US$21 million.

The amounts recognized in the consolidated profit and loss account are as follows:

	2006 US$m	2005 US$m
Current service cost	**21**	19
Interest cost	**18**	16
Expected return on plan assets	**(16)**	(14)
(Gain)/loss on curtailment and settlement	**(1)**	10
Past service cost	**1**	–
	23	31
Actual return on plan assets in the year	**41**	33

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.

20 Stocks and Work in Progress

	2006 US$m	2005 US$m
Finished goods	1,032	1,098
Work in progress	12	23
Raw materials	23	45
Spare parts	33	30
Others	38	16
	1,138	1,212

At 31st December 2006, the carrying amount of stocks and work in progress pledged as security for borrowings amounted to US$9 million *(2005: US$26 million) (refer note 30)*.

21 Trade, Financing and Other Debtors

	2006 US$m	2005 US$m
Trade debtors		
– third parties	561	489
– associates and joint ventures	32	29
	593	518
– provision for impairment	(65)	(31)
	528	487
Financing debtors *(refer note 17)*	971	1,222
Contract in progress	–	1
Prepayments	166	120
Amount due from Jardine Matheson	2	2
Other amounts due from associates and joint ventures	17	26
Rental and other deposits	96	88
Interest rate swaps and caps, and forward foreign exchange contracts	3	3
Loan to employees	7	1
Repossessed assets of finance companies	43	48
Reinsurers' share of estimated losses on insurance contracts	16	16
Other	61	63
	1,910	2,077

At 31st December 2006, the carrying amount of trade debtors pledged as security for borrowings amounted to US$11 million *(2005: US$39 million) (refer note 30)*.

22 Bank Balances and Other Liquid Funds

	2006 US$m	2005 US$m
Liquid investments	–	47
Deposits with banks and financial institutions	917	717
Bank and cash balances	407	288
	1,324	1,052
Less restricted bank balances and deposits *(refer note 16)*	(6)	(10)
	1,318	1,042

The weighted average interest rate on deposits with banks and financial institutions is 4.7% *(2005: 5.1%)*.

23 Non-current Assets Classified as Held for Sale

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

	2006 US$m	2005 US$m
Intangible assets	–	7
Tangible assets	–	71
Investment properties	2	24
Associates and joint ventures	14	34
Financing and other debtors	31	–
Deferred tax assets	–	1
Current assets*	9	525
Total assets	56	662
Long-term borrowings	–	81
Deferred tax liabilities	–	1
Other non-current liabilities	–	2
Current liabilities	–	112
Total liabilities	–	196

At 31st December 2005, the non-current assets classified as held for sale included two properties in Dairy Farm with a carrying value of US$3 million, Mandarin Oriental's interest in The Mark, New York, which comprised total assets of US$80 million and total liabilities of US$14 million, and Jardine Cycle & Carriage's interest in MCL Land, which comprised total assets of US$578 million and total liabilities of US$182 million.

Of the two properties in Dairy Farm, one property was sold during the year and the other property was reclassified to tangible assets. The Mark was disposed of in February 2006 resulting in a post-tax profit of US$35 million. Jardine Cycle & Carriage's interest in MCL Land was distributed to its shareholders by way of a dividend in specie in January 2006. The Company subsequently disposed of its 40.9% interest in MCL Land that it received through the distribution to Hongkong Land for US$163 million, which approximates its carrying amount.

In December 2006, Mandarin Oriental entered into an agreement to sell half of its 50% interest in Mandarin Oriental, New York. The carrying value of its 25% interest in the hotel of US$14 million and its mezzanine loan to the hotel of US$40 million were classified as held for sale. The sale was completed in March 2007 for a total proceeds of US$69 million.

*Carrying amount in 2005 included bank balances and other liquid funds of US$26 million *(refer note 34(k))*.

24 Share Capital

	2006 US$m	2005 US$m
Authorized:		
1,500,000,000 shares of US¢5 each	**75**	75
1,000,000,000 shares of US$800 each	**800**	800
	875	875

	Ordinary shares in millions 2006	2005	2006 US$m	2005 US$m
Issued and fully paid shares of US¢5 each:				
At 1st January	**1,059**	1,045	**53**	52
Scrip issued in lieu of dividends	**13**	14	**1**	1
At 31st December	**1,072**	1,059	**54**	53

25 Share Premium and Capital Reserves

	Share premium US$m	Capital reserves US$m	Total US$m
2006			
At 1st January	1,211	109	**1,320**
Capitalization arising on scrip issued in lieu of dividends	(1)	–	**(1)**
Value of employee services under share option schemes	–	6	**6**
At 31st December	**1,210**	**115**	**1,325**
2005			
At 1st January	1,212	105	1,317
Capitalization arising on scrip issued in lieu of dividends	(1)	–	(1)
Value of employee services under share option schemes	–	4	4
At 31st December	1,211	109	1,320

Capital reserves include US$104 million *(2005: 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.

26 Revenue and Other Reserves

	Revenue reserves US$m	Contributed surplus US$m	Asset revaluation reserves US$m	Hedging reserves US$m	Exchange reserves US$m	Total US$m
2006						
At 1st January						
– as previously reported	4,988	304	326	2	(132)	**5,488**
– revision of fair value adjustments	(1)	–	(26)	–	–	**(27)**
– as restated	4,987	304	300	2	(132)	**5,461**
Revaluation of properties						
– net revaluation surplus	–	–	68	–	–	**68**
– deferred tax	–	–	(21)	–	–	**(21)**
Revaluation of other investments						
– fair value gain	248	–	–	–	–	**254**
– deferred tax	(22)	–	–	–	–	**(22)**
– transfer to profit and loss on disposals	(45)	–	–	–	–	**(51)**
Defined benefit pension plans						
– actuarial gain	29	–	–	–	–	**29**
– deferred tax	(6)	–	–	–	–	**(6)**
Net exchange translation differences						
– amount arising in year	–	–	–	–	147	**147**
– transfer to profit and loss on disposals	–	–	–	–	(5)	**(5)**
Cash flow hedges						
– fair value loss	–	–	–	(13)	–	**(13)**
– deferred tax	–	–	–	(1)	–	**(1)**
– transfer to profit and loss	–	–	–	3	–	**3**
Profit attributable to shareholders	1,412	–	–	–	–	**1,412**
Dividends *(refer note 27)*	(100)	–	–	–	–	**(100)**
Scrip issued in lieu of dividends *(refer note 27)*	147	–	–	–	–	**147**
Transfer	3	–	(3)	–	–	**–**
At 31st December	**6,653**	**304**	**344**	**(9)**	**10**	**7,302**
of which:						
Company	2,312	304	–	–	–	**2,616**
Associates and joint ventures	3,331	–	61	(4)	26	**3,414**

26 Revenue and Other Reserves *(continued)*

	Revenue reserves US$m	Contributed surplus US$m	Asset revaluation reserves US$m	Hedging reserves US$m	Exchange reserves US$m	Total US$m
2005						
At 1st January	3,491	304	97	(18)	(70)	3,804
Revaluation of intangible assets						
– net revaluation surplus	–	–	255	–	–	255
– deferred tax	–	–	(83)	–	–	(83)
Revaluation of properties						
– net revaluation surplus	–	–	52	–	–	52
– deferred tax	–	–	(11)	–	–	(11)
Revaluation of other investments						
– fair value gain	41	–	–	–	–	41
– transfer to profit and loss on disposals	(20)	–	–	–	–	(20)
Defined benefit pension plans						
– actuarial loss	(2)	–	–	–	–	(2)
Net exchange translation differences						
– amount arising in year	–	–	–	–	(58)	(58)
– transfer to profit and loss on disposals	–	–	–	–	(5)	(5)
Cash flow hedges						
– fair value gain	–	–	–	21	–	21
– deferred tax	–	–	–	(1)	–	(1)
Profit attributable to shareholders	1,398	–	–	–	–	1,398
Dividends *(refer note 27)*	(93)	–	–	–	–	(93)
Scrip issued in lieu of dividends *(refer note 27)*	135	–	–	–	–	135
Equity component of convertible bonds issued by an associate	27	–	–	–	–	27
Change in attributable interests	1	–	–	–	–	1
Transfer	9	–	(10)	–	1	–
At 31st December	4,987	304	300	2	(132)	5,461
of which:						
Company	2,113	304	–	–	–	2,417
Associates and joint ventures	2,480	–	49	1	(47)	2,483

Revaluation of intangible assets represents the increase in fair value attributable to the Group's previously held interests in Astra and PT Hero Supermarket on the date they became subsidiary undertakings.

Revenue reserves include unrealized net surplus on revaluation of available-for-sale investments of US$349 million *(2005: US$168 million)*, and actuarial loss on defined benefit pension plans of US$28 million *(2005: US$51 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.

Asset revaluation reserves are non-distributable in certain territories in which the Group operates.

27 Dividends

	2006 US$m	2005 US$m
Final dividend in respect of 2005 of US¢11.00 *(2004: US¢10.40)* per share	**116**	109
Interim dividend in respect of 2006 of US¢5.30 *(2005: US¢5.00)* per share	**57**	52
	173	161
Less Company's share of dividends paid on the shares held by Jardine Matheson	**(73)**	(68)
	100	93
Shareholders elected to receive scrip in respect of the following:		
Final dividend in respect of previous year	**98**	91
Interim dividend in respect of current year	**49**	44
	147	135

A final dividend in respect of 2006 of US¢11.70 *(2005: US¢11.00)* per share amounting to a total of US$125 million *(2005: US$116 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$53 million *(2005: US$49 million)* will be accounted for as an appropriation of revenue reserves in the year ending 31st December 2007.

28 Own Shares Held

Own shares held of US$1,054 million *(2005: US$975 million)* represent the Company's share of the cost of 855 million *(2005: 843 million)* ordinary shares in the Company held by Jardine Matheson and are deducted in arriving at shareholders' funds.

29 Minority Interests

	2006 US$m	2005 US$m
By business:		
Dairy Farm	**76**	68
Mandarin Oriental	**271**	227
Jardine Cycle & Carriage	**63**	175
Astra	**2,773**	2,388
	3,183	2,858
Movements for the year:		
At 1st January		
– as previously reported	**2,934**	1,026
– revision of fair value adjustments	**(76)**	–
– as restated	**2,858**	1,026
Revaluation of intangible assets		
– net revaluation surplus	**–**	203
– deferred tax	**–**	(64)
Revaluation of properties		
– net revaluation surplus	**52**	17
– deferred tax	**(15)**	(4)
Revaluation of other investments		
– fair value gain/(loss)	**16**	(3)
– deferred tax	**(5)**	–
Defined benefit pension plans		
– actuarial (loss)/gain	**(7)**	29
– deferred tax	**3**	(8)
Net exchange translation differences		
– amount arising in year	**234**	(21)
– transfer to profit and loss on disposals	**2**	(1)
Cash flow hedges		
– fair value (loss)/gain	**(2)**	4
New subsidiary undertakings	**–**	1,656
Subsidiary undertakings disposed of	**(170)**	–
Attributable profits less dividends	**236**	41
Capital contribution and change in attributable interests	**(19)**	(17)
At 31st December	**3,183**	2,858

30 Borrowings

	2006 Carrying amount US$m	2006 Fair value US$m	2005 Carrying amount US$m	2005 Fair value US$m
Current				
– bank overdrafts	37	37	34	34
– other bank advances	664	664	605	605
– other advances	6	6	–	–
	707	707	639	639
Current portion of long-term borrowings				
– bank loans	885	886	877	864
– bonds	226	224	206	198
– other loans	73	73	33	33
	1,184	1,183	1,116	1,095
	1,891	1,890	1,755	1,734
Long-term borrowings				
– bank loans	1,866	1,908	2,188	2,185
– bonds	500	521	587	605
– other loans	198	199	83	84
	2,564	2,628	2,858	2,874
	4,455	4,518	4,613	4,608

	2006 US$m	2005 US$m
Secured	1,596	1,446
Unsecured	2,859	3,167
	4,455	4,613
Due dates of repayment:		
Within one year	1,891	1,755
Between one and two years	765	1,067
Between two and three years	369	743
Between three and four years	775	179
Between four and five years	605	477
Beyond five years	50	392
	4,455	4,613

30 Borrowings *(continued)*

Currency:	Fixed rate borrowings Weighted average interest rates %	Weighted average period outstanding Years	US$m	Floating rate borrowings US$m	Total US$m
2006					
Euro	5.8	1.7	14	–	**14**
Chinese Renminbi	4.9	–	–	6	**6**
Hong Kong Dollar	4.5	2.0	243	242	**485**
Indonesian Rupiah	12.7	1.1	1,469	344	**1,813**
Japanese Yen	1.4	–	–	39	**39**
Malaysian Ringgit	4.9	1.8	99	106	**205**
New Taiwan Dollar	2.5	2.4	21	39	**60**
Singapore Dollar	4.1	1.0	23	298	**321**
Swiss Franc	3.7	25.0	2	21	**23**
Thailand Baht	6.0	–	–	1	**1**
United Kingdom Sterling	6.2	–	–	112	**112**
United States Dollar	6.6	4.6	367	1,009	**1,376**
			2,238	**2,217**	**4,455**
2005					
Euro	5.9	2.7	14	–	14
Chinese Renminbi	4.7	–	–	5	5
Hong Kong Dollar	4.3	2.5	276	118	394
Indonesian Rupiah	11.6	1.2	2,208	97	2,305
Japanese Yen	1.3	0.3	13	19	32
Malaysian Ringgit	4.9	1.4	126	24	150
New Taiwan Dollar	2.3	1.6	17	17	34
Singapore Dollar	3.3	0.8	72	500	572
Swiss Franc	3.4	26.0	2	21	23
Thailand Baht	4.8	–	–	4	4
United Kingdom Sterling	5.9	0.3	30	74	104
United States Dollar	5.8	5.3	374	602	976
			3,132	1,481	4,613

30 Borrowings *(continued)*

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

	2006		2005	
	Current	Non-current	Current	Non-current
	US$m	US$m	US$m	US$m
Jardine Strategic guaranteed bonds	–	**297**	–	296
Astra Sedaya Finance III bonds	**5**	–	16	4
Astra Sedaya Finance IV bonds	**20**	**4**	26	23
Astra Sedaya Finance V bonds	**46**	**18**	52	61
Astra Sedaya Finance VI bonds	**40**	**38**	21	76
Astra Sedaya Finance VII bonds	**15**	**42**	–	–
Federal International Finance II bonds	**8**	–	29	7
Federal International Finance III bonds	**22**	–	10	20
Federal International Finance IV bonds	**19**	–	7	18
Federal International Finance V bonds	**26**	**33**	40	55
Federal International Finance VI bonds	**20**	**43**	–	–
Serasi Autoraya I bonds	**5**	**12**	5	15
Astra Graphia I bonds	–	**13**	–	12
	226	**500**	206	587

All borrowings were within subsidiary undertakings.

The Jardine Strategic guaranteed bonds with nominal value of US$300 million and bearing interest at 6.375% 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 Astra Sedaya Finance III, IV, V, VI and VII bonds, with nominal values of Rp380 billion, Rp375 billion, Rp650 billion, Rp770 billion and Rp575 billion, and bearing interest at 13.5%, 12.25% to 12.88%, 10.63% to 11.25%, 9.8% to 11% and 13.05% to 14.2% respectively were issued by a partly-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 principal of the bonds (*refer note 16)*. The bonds will mature in 2007, from 2007 to 2008, from 2007 to 2008, from 2007 to 2010 and from 2007 to 2009 respectively.

The Federal International Finance II, III, IV, V and VI bonds, with nominal values of Rp250 billion, Rp200 billion, Rp200 billion, Rp600 billion and Rp600 billion, and bearing interest at 13.5%, 12.75%, 11.75%, 10% to 10.75% and 13.75% to 14.75% 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 up to 80% of the total principal of the bonds *(refer note 16)*. The bonds will mature in 2007 except for the V and VI bonds which will mature from 2007 to 2008 and from 2007 to 2009 respectively.

The Serasi Autoraya I bonds with nominal value of Rp300 billion and bearing interest at 13.88% were issued by a wholly-owned subsidiary undertaking of Astra and are collateralized by fiduciary guarantee over transport equipment of the subsidiary undertaking *(refer note 10)*. The bonds will mature from 2007 to 2008.

The Astra Graphia I bonds with nominal value of Rp150 billion and bearing interest at 13.38% were issued by a partly-owned subsidiary undertaking of Astra and are collateralized by specific collateral equal to 75% of nominal value in the form of land use rights, buildings and trade debtors of the subsidiary undertaking *(refer notes 9, 10 and 21)*. The bonds will mature in 2008.

Secured borrowings at 31st December 2006 included Mandarin Oriental's bank borrowings of US$574 million *(2005: US$462 million)* which were secured against its tangible fixed assets, Astra's bonds of US$429 million *(2005: US$497 million)* which were secured against its various assets as described above and bank borrowings of US$593 million *(2005: US$487 million)* which were secured against its various assets.

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

31 Provisions

	Motor vehicle warranties US$m	Closure cost provisions US$m	Others US$m	Total US$m
2006				
At 1st January	19	6	12	**37**
Exchange differences	2	1	–	**3**
Additional provisions	7	–	5	**12**
Utilized	(6)	(5)	–	**(11)**
At 31st December	**22**	**2**	**17**	**41**
Non-current	–	–	15	**15**
Current	22	2	2	**26**
	22	**2**	**17**	**41**
2005				
At 1st January	17	2	–	19
Exchange differences	(1)	–	–	(1)
New subsidiary undertakings	–	–	3	3
Additional provisions	7	5	9	21
Unused amounts reversed	–	(1)	–	(1)
Utilized	(4)	–	–	(4)
At 31st December	19	6	12	37
Non-current	–	–	11	11
Current	19	6	1	26
	19	6	12	37

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 provision for statutory employee benefits.

32 Other Non-current Liabilities

	2006 US$m	2005 US$m
Interest rate swaps and caps, and forward foreign exchange contracts	7	2
Gross estimated losses and unearned premiums on insurance contracts	40	36
Trade creditors due after more than one year	85	85
Factoring liabilities	3	17
Financial liability on puttable instrument	45	–
Other creditors due after more than one year	5	4
	185	144

The maturity of the factoring liabilities depends on the remaining period of the financing debtors and is not more than five years *(2005: five years)*. The liabilities bear interest at rates ranging from 10.20% to 18.25% *(2005: 10.20% to 18.25%) per annum*.

The financial liability on puttable instrument represents the present value of the expected payment under a put option to acquire an additional 25.5% interest in PT Hero Supermarket in Dairy Farm.

The fair value of other non-current liabilities approximate their carrying amounts.

33 Creditors and Accruals

	2006 US$m	2005 US$m
Trade creditors		
– third parties	1,238	1,221
– associates and joint ventures	122	108
	1,360	1,329
Accruals	624	623
Amounts due to Jardine Matheson	12	–
Other amounts due to associates and joint ventures	1	12
Deposits accepted	84	76
Interest rate swaps and forward foreign exchange contracts	15	2
Interest payable	30	26
Gross estimated losses and unearned premiums on insurance contracts	109	101
Factoring liabilities *(refer note 32)*	12	34
Other	22	21
	2,269	2,224

34 Notes to Consolidated Cash Flow Statement

(a) Depreciation and amortization	2006 US$m	2005 US$m
By business:		
Dairy Farm	111	104
Mandarin Oriental	29	31
Jardine Cycle & Carriage	7	8
Astra		
– automotive	79	32
– financial services	11	4
– agribusiness	16	6
– heavy equipment	116	35
– other	8	3
	230	80
	377	223

(b) Other non-cash items	2006 US$m	2005 US$m
By nature:		
(Profit)/loss on sale of subsidiary undertakings	(87)	1
Profit on sale of associates and joint ventures	–	(50)
Profit on sale of other investments	–	(20)
Profit on sale of land use rights	(12)	–
Profit on sale of tangible assets	(5)	–
Loss on sale of repossessed assets	104	17
Surplus on revaluation of investment properties	(7)	–
Fair value gain on revaluation of plantations	(22)	(15)
Impairment of goodwill	–	1
Impairment of tangible assets	3	–
Impairment of trade, financing and other debtors	118	85
Change in provisions	13	16
Write down of stocks and work in progress	2	2
Realization of exchange gain	(41)	(2)
Negative goodwill on acquisition of a subsidiary untertaking	–	(1)
Options granted under employee share option schemes	2	1
Scrip dividend from other investments	(3)	(1)
Other	–	1
	65	35
By business:		
Dairy Farm	10	2
Mandarin Oriental	(76)	(51)
Jardine Cycle & Carriage	(24)	7
Astra		
– automotive	(11)	10
– financial services	201	102
– agribusiness	(22)	(14)
– heavy equipment	(4)	–
– other	(7)	–
	157	98
Corporate and other interests	(2)	(21)
	65	35

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

(c) Decrease/(increase) in working capital	**2006** US$m	2005 US$m
Increase in properties for sale	**(29)**	(128)
Decrease/(increase) in stocks and work in progress	**150**	(250)
Decrease/(increase) in trade, financing and other debtors	**441**	(103)
Increase in creditors and accruals	**19**	93
Increase in pension obligations	**7**	18
	588	(370)

(d) In 2005, Jardine Cycle & Carriage acquired an additional 2.9% interest in Astra increasing its holding to 50.1%. In 2006, following completion of the initial accounting, the provisional fair values of identifiable assets and liabilities determined at the date of acquisition were revised. Goodwill represented the excess of the cost of acquisition over the fair value of the share of the net identifiable assets acquired, and is attributable to the profitability of the acquired business after the acquisition.

	US$m
Intangible assets	588
Tangible assets	822
Investment properties	20
Plantations	359
Associates and joint ventures	880
Other investments	24
Financing and other debtors	1,183
Deferred tax assets	38
Current assets	2,778
Long-term borrowings	(1,260)
Deferred tax liabilities	(255)
Pension liabilities	(38)
Non-current provisions	(3)
Other non-current liabilities	(69)
Current liabilities	(2,172)
Minority interests	(450)
Fair value	2,445
Adjustment for minority interests	(1,219)
Net assets acquired	1,226
Goodwill	78
Total consideration	1,304
Adjustment for carrying value of associates and joint ventures	(889)
Adjustment to fair values relating to previously held interests	(281)
Cash and cash equivalents of Astra acquired	(454)
Net cash inflow	(320)

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

(e) Purchase of other subsidiary undertakings	2006 Book value US$m	Fair value adjustments US$m	Fair value US$m	2005 Fair value US$m
Intangible assets	6	–	6	27
Tangible assets	16	(2)	14	47
Deferred tax assets	–	–	–	5
Current assets	16	(1)	15	99
Long-term borrowings	(1)	–	(1)	(9)
Deferred tax liabilities	(1)	–	(1)	(8)
Pension liabilities	(1)	–	(1)	(9)
Current liabilities	(9)	–	(9)	(85)
Minority interests	–	–	–	13
Net assets	26	(3)	23	80
Adjustment for minority interests			–	(27)
Net assets acquired			23	53
Goodwill			9	39
Total consideration			32	92
Adjustment for deferred consideration and carrying value of associates and joint ventures			(7)	(23)
Adjustment to fair values relating to previously held interests			–	(4)
Cash and cash equivalents of subsidiary undertakings acquired			–	(5)
Net cash outflow			25	60
Purchase of shares in Jardine Cycle & Carriage			22	41
			47	101

Net cash outflow in 2006 of US$25 million included US$17 million for Dairy Farm's store acquisitions in Malaysia and Vietnam.

Net cash outflow in 2005 of US$60 million included US$39 million for acquisition of an additional 32.3% interest in PT Hero Supermarket in Dairy Farm, and US$7 million for an additional 30% interest in Republic Auto and US$8 million for an additional 30% interest in Century Gardens in Jardine Cycle & Carriage.

Revenue and operating profit since acquisition in respect of other subsidiary undertakings acquired during the year amounted to US$16 million and US$2 million respectively. If the acquisitions had occurred on 1st January 2006, Group revenue and operating profit would have been US$12,892 million and US$950 million respectively.

(f) Purchase of associates and joint ventures in 2006 included US$26 million, US$26 million, US$19 million and US$98 million for Astra's interest in Toyota Astra Financial Services, PT PAM Lyonnaise Jaya, Astra Daihatsu Motor and an additional 12.95% interest in Bank Permata respectively, and the Company's increased interest in Hongkong Land of US$289 million. Purchase of associates and joint ventures in 2005 included US$21 million for increased interest in Landmarks Land and Properties in Jardine Cycle & Carriage, US$15 million for Astra's interest in PT Marga, US$71 million for increased interest in Hongkong Land and US$187 million for a 20% interest in Rothschilds.

(g) Purchase of other investments in 2006 included US$80 million for Astra's purchase of securities.

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

(h) Sale of subsidiary undertakings	2006 US$m	2005 US$m
Intangible assets	12	–
Tangible assets	92	–
Investment properties	24	–
Associates and joint ventures	34	–
Financing and other debtors	1	–
Deferred tax assets	1	–
Current assets	616	105
Long-term borrowings	(100)	–
Deferred tax liabilities	(2)	–
Current liabilities	(206)	–
Net assets	472	105
Adjustment for minority interests	(262)	–
Net assets disposed of	210	105
Cumulative exchange translation differences	(7)	–
Profit/(loss) on disposal	87	(1)
Sale proceeds	290	104
Adjustment for carrying value of associates and joint ventures	(14)	–
Adjustment for deferred consideration	1	(1)
Cash and cash equivalents of subsidiary undertakings disposed of	(50)	–
Net cash inflow	227	103

Sale proceeds in 2006 of US$290 million included US$99 million from Mandarin Oriental's sale of its interest in The Mark, New York, US$28 million from Astra's partial sale of its interest in Aisin and US$163 million from the Company's sale of its interest in MCL Land.

Sale proceeds in 2005 of US$104 million included US$96 million from Dairy Farm's sale of its interest in Hartanah Progresif, a property-owning subsidiary undertaking.

The revenue and operating profit in respect of subsidiary undertakings disposed of during the year amounted to US$11 million and US$5 million respectively.

(i) Sale of associates and joint ventures in 2005 included US$97 million from sale of Kahala Mandarin Oriental in Mandarin Oriental.

(j) Sale of other investments in 2006 included US$27 million from Astra's sale of securities. Sale of other investments in 2005 included US$36 million from sale of the Company's interest in EON Capital.

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

(k) Analysis of balances of cash and cash equivalents	2006 US$m	2005 US$m
Bank balances and other liquid funds including restricted balances *(refer note 22)*	**1,324**	1,052
Bank overdrafts *(refer note 30)*	**(37)**	(34)
Cash and cash equivalents of subsidiary undertakings classified as held for sale *(refer note 23)*	**–**	26
	1,287	1,044

35 Financial Instruments

The Company and its subsidiary undertakings manage their exposure to financial risks using a variety of techniques and instruments. Entering into speculative transactions is specifically prohibited.

Foreign exchange risk

Foreign exchange risk arises from future commercial transactions, net investments in foreign operations and recognized assets and liabilities.

Foreign currency transaction exposures are covered by forward foreign exchange contracts and foreign currency options. The Group has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk. Currency exposure arising from the net assets of the Group's foreign operations is managed primarily through borrowings denominated in the relevant foreign currencies. Forward foreign exchange contracts may also be used to hedge investments in foreign operations, where the currency concerned is anticipated to be volatile, the exposure of the Group is material and the hedging cost is economical. Consistent with Group policy on covering transactional exposures, the purpose of these hedges is to eliminate the impact of movements in foreign exchange rates on assets and liabilities of the Group.

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 options.

Liquidity risk

The Group's ability to fund its existing and prospective debt requirements is managed by maintaining the availability of adequate committed funding lines from high quality lenders.

Credit risk

The Group's ownership of financial assets involves the risk that counterparties may be unable to meet the terms of their agreements. The Group manages these risks by monitoring credit ratings and limiting the aggregate risk to any individual counterparty.

Price risk

The Group is exposed to equity securities price risk because of investments held by the Group and classified on the consolidated balance sheet as available-for-sale investments. The Group is exposed to financial risks arising from changes in prices of crude palm oil and fresh fruit bunch.

35 Financial Instruments *(continued)*

Fair values

The fair value of listed investments is based on market prices. Unlisted investments have been valued by reference to the market prices of the underlying investments or by reference to the current market value of similar investments or by reference to the discounted cash flows of the underlying net assets.

The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward foreign exchange contracts is determined using forward exchange market rates at the balance sheet date.

The fair values of debtors, bank balances and other liquid funds, creditors and accruals, current borrowings, and current provisions 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.

Derivative financial instruments

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

	2006		2005	
	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 and foreign currency options	–	3	1	1
– interest rate swaps and caps	5	2	9	1
	5	5	10	2
Other economic hedges				
– forward foreign exchange contracts	3	4	3	2
– cross currency swaps	–	13	–	–
	3	17	3	2

Forward foreign exchange contracts

The contract amounts of the outstanding forward foreign exchange contracts at 31st December 2006 were US$952 million *(2005: US$949 million)*.

Forward foreign exchange contracts which relate to hedges of firm and anticipated commitments mature at various dates over the following two years.

Foreign currency options and collars

The notional principal amounts of the outstanding foreign currency options and collars at 31st December 2006 were US$21 million *(2005: US$16 million)* and all options and collars will expire within one year.

35 Financial Instruments *(continued)*

Interest rate swaps and caps

The notional principal amounts of the outstanding interest rate swap and cap contracts at 31st December 2006 were US$773 million *(2005: US$813 million)*.

The due dates of interest rate swaps and caps at 31st December were as follows:

	2006 US$m	2005 US$m
Within one year	**164**	114
Between one and two years	**295**	167
Between two and three years	**155**	268
Between three and four years	**76**	189
Between four and five years	**83**	75
	773	813

At 31st December 2006, the fixed interest rates relating to interest rate swaps vary from 1.3% to 6.0% *(2005: 1.1% to 5.1%)*.

Cross currency swaps

The notional principal amounts of the outstanding cross currency swap contracts at 31st December 2006 were US$135 million *(2005: nil)* and all contracts will expire within five years.

36 Commitments

	2006 US$m	2005 US$m
Capital commitments:		
Authorized not contracted	**117**	177
Contracted not provided	**74**	130
	191	307
Operating lease commitments:		
Total commitments under operating leases		
– due within one year	**384**	325
– due between one and two years	**263**	239
– due between two and three years	**161**	127
– due between three and four years	**99**	71
– due between four and five years	**78**	50
– due beyond five years	**604**	341
	1,589	1,153

Total future sublease payments receivable relating to the above operating leases amounted to US$24 million *(2005: US$32 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.

37 Financial Guarantees and Contingent Liabilities

	2006 US$m	2005 US$m
Financial guarantees in respect of facilities made available to associates and joint ventures	**70**	71

Financial guarantees in respect of facilities made available to associates and joint ventures are stated at their total respective contracted amounts. It is probable that the Group has no obligations under such guarantees.

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.

38 Related Party Transactions

The ultimate holding company of the Group is Jardine Matheson Holdings Limited, a company incorporated in Bermuda. As at 31st December 2006, the Company held a 53% *(2005: 53%)* 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, and during 2006 received fee income of US$40 million *(2005: US$34 million)* from the Company.

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 Astra's associates and joint ventures in Indonesia including Toyota-Astra Motor, Astra Honda Motor and Astra Daihatsu Motor, and Jardine Cycle & Carriage's automotive associates and joint ventures in Singapore. Total cost of motor vehicles and spare parts purchased from associates and joint ventures in 2006 amounted to US$2,314 million *(2005: US$1,246 million)*. The Group also sells motor vehicles and spare parts to Astra's associates and joint ventures in Indonesia including Astra Honda Motor and Astra Daihatsu Motor, and Jardine Cycle & Carriage's automotive associates and joint ventures in Singapore. Total revenue from sale of motor vehicles and spare parts to associates and joint ventures in 2006 amounted to US$333 million *(2005: US$222 million)*. Transactions with Astra's associates and joint ventures in 2005 are included from the date of acquisition.

The Group and Jardine Matheson use Jardine Lloyd Thompson to place certain of their insurance. Brokerage fees and commissions, net of rebates, paid in 2006 to Jardine Lloyd Thompson were US$4 million *(2005: US$4 million)*.

The Group and Jardine Matheson rent property from Hongkong Land. The gross rentals paid to Hongkong Land in 2006 were US$6 million *(2005: US$4 million)*. The Group and Jardine Matheson provide property maintenance and other services to Hongkong Land in 2006 in aggregate amounting to US$15 million *(2005: US$14 million)*

Jardine Matheson provides management consultancy services to Hongkong Land. Management fee received in 2006 from Hongkong Land amounted to US$1 million *(2005: US$1 million)*.

The Group manages seven associate and joint venture hotels. Management fee received by the Group in 2006 from these managed hotels amounted to US$17 million *(2005: US$13 million)*.

Bank Permata provides banking services to the Group. The Group's deposits with Bank Permata at 31st December 2006 amounted to US$138 million *(2005: US$118 million)*.

38 Related Party Transactions *(continued)*

The Group engages Gammon Construction Limited ('Gammon'), a joint venture of Jardine Matheson, as contractor for certain of the Group's hotel renovation projects. Management fee paid by the Group in 2006 to Gammon amounted to US$4 million *(2005: nil)*.

In January 2006, the Company disposed of its 40.9% interest in MCL Land that it received through a dividend in specie by Jardine Cycle & Carriage to Hongkong Land for US$163 million.

In August 2005, the Group disposed of its 53% interest in Reid Street Properties to Hongkong Land for US$7 million resulting in a profit attributable to shareholders of US$5 million. The consideration was based on the market valuation of the underlying properties of Reid Street Properties.

Amounts of outstanding balances with Jardine Matheson, and with associates and joint ventures are included in trade, financing and other debtors; and creditors and accruals, as appropriate *(refer notes 21 and 33)*.

Details of Directors' remuneration (being the short-term compensation of the key management personnel) are shown on page 80 under the heading of Directors' Appointment, Retirement, Remuneration and Service Contracts.

39 Post Balance Sheet Event

In December 2006, Mandarin Oriental announced that it had entered into an agreement to sell half of its investment in Mandarin Oriental, New York reducing its interest in the hotel from 50% to 25%. The sale was completed in March 2007 resulting in a profit after tax of approximately US$16 million.

40 Summarized Balance Sheet of the Company

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

	2006 US$m	2005 US$m
Subsidiary undertakings	**1,699**	1,879
Investment in Jardine Matheson	**842**	750
Associates	**1,354**	1,064
Total assets	**3,895**	3,693
Share capital *(refer note 24)*	**54**	53
Share premium *(refer note 25)*	**1,210**	1,211
Revenue and other reserves *(refer note 26)*	**2,616**	2,417
Shareholders' funds	**3,880**	3,681
Current liabilities	**15**	12
Total equity and liabilities	**3,895**	3,693

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

41 Jardine Strategic Corporate Cash Flow and Net Debt

	2006 US$m	2005 US$m
Dividends receivable		
Subsidiary undertakings	134	367
Jardine Matheson	147	128
Associates	95	67
Other holdings	23	16
	399	578
Less taken in scrip	(170)	(147)
	229	431
Other operating cash flows	(68)	(67)
Cash flows from operating activities	161	364
Investing activities		
Purchase of subsidiary undertakings	(22)	(41)
Purchase of associates	(289)	(258)
Purchase of other investments	(13)	(4)
Sale of subsidiary undertakings	163	2
Sale of other investments	–	36
Cash flows from investing activities	(161)	(265)
Financing activities		
Dividends paid by the Company	(26)	(26)
Cash flows from financing activities	(26)	(26)
Effect of exchange rate changes	(11)	4
Net (increase)/decrease in net debt	(37)	77
Net debt at 1st January	(698)	(775)
Net debt at 31st December	(735)	(698)
Represented by:		
Bank balances and other liquid funds	6	6
6.375% Guaranteed Bonds due 2011	(297)	(296)
Other long-term borrowings	(444)	(408)
	(735)	(698)

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

42 Principal Subsidiary Undertakings and Associates, and Ultimate Holding Company

The principal subsidiary undertakings and associates, and the ultimate holding company of the Group at 31st December 2006 are set out below.

	Country of incorporation	Particulars of issued capital			Attributable interests 2006 %	2005 %	Nature of business
Dairy Farm International Holdings Ltd*	Bermuda	USD	74,826,546	ordinary	**78**	78	Supermarkets, hypermarkets, health and beauty stores, convenience stores, home furnishings stores and restaurants
Hongkong Land Holdings Ltd**	Bermuda	USD	229,522,629	ordinary	**46**	44	Property development & investment, leasing & management
Jardine Cycle & Carriage Ltd*	Singapore	SGD	342,611,386	ordinary	**64**	62	A 50.1% interest in PT Astra International Tbk and motor trading
Jardine Matheson Holdings Ltd†	Bermuda	USD	154,192,444	ordinary	**53**	53	Engineering and construction, transport services, motor trading, property, retailing, restaurants, hotels, financial services and insurance broking
Mandarin Oriental International Ltd*	Bermuda	USD	49,538,937	ordinary	**74**	75	Hotel management & ownership
PT Astra International Tbk*	Indonesia	IDRm	2,024,178	ordinary	**32**	31	Automotive, financial services, agribusiness and heavy equipment
Rothschilds Continuation Holdings AG**	Switzerland	CHF	60,975,765	ordinary	**21**	22	Financial services including investment banking

* Subsidiary undertakings.

** Associates.

† Ultimate holding company *(refer note 38)*.

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

The financial statements of Hongkong Land can be accessed through the internet at its website.

Independent Auditor's Report

To the members of Jardine Strategic Holdings Limited

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 2006 and the consolidated profit and loss account, consolidated statement of recognized income and expense 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.

Auditor's 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 auditor's 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 auditor considers 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 2006, and of 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.

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
London
United Kingdom

7th March 2007

Five Year Summary

Profit and Loss

	2006 US$m	2005 US$m	2004 US$m	2003 US$m	2002 US$m
Revenue	**12,845**	8,825	5,793	5,059	3,806
Profit/(loss) attributable to shareholders	**1,412**	1,398	1,122	(13)	64
Underlying profit attributable to shareholders	**526**	475	404	284	218
Earnings/(loss) per share (US$)	**2.30**	2.29	1.82	(0.02)	0.10
Underlying earnings per share (US$)	**0.86**	0.78	0.66	0.45	0.34
Dividends per share (US¢)	**17.00**	16.00	15.20	14.50	14.50

Balance Sheet

	2006 US$m	2005 US$m	2004 US$m	2003 US$m	2002 US$m
Total assets	**18,389**	16,488	8,698	7,102	6,833
Total liabilities	**(7,579)**	(7,771)	(3,403)	(3,227)	(3,073)
Total equity	**10,810**	8,717	5,295	3,875	3,760
Shareholders' funds	**7,627**	5,859	4,269	2,965	2,861
Net debt (excluding net debt of finance companies)	**1,633**	1,639	1,328	1,436	1,099
Net asset value per share* (US$)	**19.38**	15.50	12.80	8.09	4.95

Cash Flow

	2006 US$m	2005 US$m	2004 US$m	2003 US$m	2002 US$m
Cash flows from operating activities	**1,821**	445	653	605	485
Cash flows from investing activities	**(1,003)**	(150)	(339)	(622)	(54)
Net cash flow before financing	**818**	295	314	(17)	431
Cash flow per share from operating activities (US$)	**2.96**	0.73	1.06	0.97	0.75

Figures prior to 2004 have been restated to reflect changes in accounting policies for defined benefit pension plans and properties for sale. Figures for 2003 have been restated to reflect the change in accounting policy for share-based payments.

Until 31st December 2003, goodwill was amortized on a straight line basis and negative goodwill was reported under intangible assets or included within associates and joint ventures, as appropriate.

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

Corporate Governance

The Group's corporate governance relies on a combination of shareholder, board and management supervision and strict compliance, internal audit and risk control procedures, within the context of the various international regulatory regimes to which Group companies are subject.

Jardine Strategic Holdings Limited is incorporated in Bermuda. The majority of the Group's business interests are in Asia. The Company has its primary share listing on the London Stock Exchange and secondary listings in Bermuda and Singapore. The primary corporate governance regime applicable to the Company arises under the laws of Bermuda, including under certain specific statutory provisions that apply to the Company alone. The Company has fully complied with that governance regime. The Company is not subject to the Combined Code (the 'Code') that applies to United Kingdom incorporated companies listed in London, but this Report outlines the significant ways in which its corporate governance practices differ from those set out in the Code.

The Management of the Group

The Company is a holding company within the Jardine Matheson Group. The Company's share capital is 80%-owned by Jardine Matheson Holdings Limited, in which the Company itself has a 53% 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. The General Manager provides management services to the Group, and 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 general counsel and the director of group strategy of Jardine Matheson. In addition, certain Directors of the Company based outside Asia make regular visits to Asia and Bermuda where they participate in five annual strategic reviews, four of which precede the full Board meetings. These Directors' knowledge of the region and the Group's affairs reinforces the process by which business is reviewed 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 16 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 approach to management described in this Report. The Board regards Asian business experience and relationships as more valuable attributes of its non-executive Directors than formal independence criteria. The Company does not have nomination or remuneration committees or a formal Board evaluation process. Decisions on nomination result from consultations between the Chairman and the Managing Director and other Directors as they consider appropriate. There are no decisions required to be made by the Company on remuneration. The members of the Audit Committee are Simon Keswick, Lord Leach of Fairford and R. C. Kwok. The Board has not designated a 'senior independent director' as set out in the Code.

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 2007 and ad hoc procedures are adopted to deal with urgent matters. Two meetings each year are held in Bermuda and two in Asia. 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.

Directors' Appointment, Retirement, Remuneration and Service Contracts

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, Simon Keswick and Dr George C.G. Koo retire by rotation at the Annual General Meeting and, being eligible, offer themselves for re-election. Simon Keswick has a service contract with a subsidiary of Jardine Matheson that has a notice period of six months. Dr George C.G. Koo does not have 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. For the year ended 31st December 2006, Directors' fees payable by the Company amounted to US$292,500 *(2005: US$241,096)*.

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 ('IFRSs') 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.

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, an important 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.

Internal Control

The Board has overall responsibility for the Company's system of 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 Board has delegated to the Audit Committee responsibility for reviewing the operation and effectiveness of the Company's system of internal control and the procedures by which this is monitored. The Audit Committee considers the system and procedures on a regular basis, and reports to the Board semi-annually. 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 is responsible for the oversight of 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 findings of the internal audit function and recommendations for any corrective action required are reported to the relevant audit committee and, if appropriate, to the Audit Committee of the Company.

The Group has in place an 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 the 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 employees to raise any matters of serious concern. The Audit Committee will review any reports made under those procedures that might be 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 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 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 department and the findings of the various Group audit committees. The Audit Committee also keeps under review the independence and objectivity of the external auditors.

Directors' Share Interests

At 31st December 2006, the Directors of the Company had the interests set out below in the ordinary share capitals of the Company and its subsidiaries, Dairy Farm and Mandarin Oriental, and its holding company, Jardine Matheson. These interests were beneficial except where otherwise indicated.

	The Company	Dairy Farm	Mandarin Oriental	Jardine Matheson
Henry Keswick	–	–	–	11,655,834#
				55,366*
A.J.L. Nightingale	16,875	24,375	–	1,007,389
		9,808*		5,462*
Simon Keswick	7,389	66,087	19,858	9,507,770#
	19,661*			2,722,552*
Dr George C.G. Koo	138,382	70,329	37,827	21,600
R.C. Kwok	1,183	20,914	6,711	29,006
Lord Leach of Fairford	54,528	–	–	955,508
Percy Weatherall	–	400,000	–	34,222,772#
				361,991*

**Non-beneficial.*
 # Includes 2,269,585 ordinary shares held by a family trust in which Henry Keswick, Simon Keswick and Percy Weatherall each has a discloseable interest.

In addition:
(a) At 31st December 2006, Henry Keswick, A.J.L. Nightingale, Simon Keswick, Lord Leach of Fairford and Percy Weatherall had deemed interests in 35,915,991 ordinary shares in Jardine Matheson as discretionary objects under the 1947 Trust, the income of which is to be distributed to senior executive officers and employees of Jardine Matheson and its wholly-owned subsidiaries.

(b) At 31st December 2006, A.J.L. Nightingale had a beneficial interest in 15,000 ordinary shares in Cycle & Carriage Bintang and 600,000 ordinary shares in Astra. He also had a non-beneficial interest in 10,000 ordinary shares in Astra.

(c) At 31st December 2006, Simon Keswick had a beneficial interest in 350,400 ordinary shares in Astra Agro Lestari.

(d) At 31st December 2006, P.L.A. Jamieson had a beneficial interest in 160,000 ordinary shares and a non-beneficial interest in 405,000 ordinary shares in Astra.

Save as disclosed, there were no changes in the above interests between the end of the financial year and 2nd April 2007.

Substantial Shareholders

The Company has been informed pursuant to the share interest disclosure obligations incorporated in Part XVII of the statutory Bermuda Takeover Code governing the Company and Chapter 5 of the Disclosure and Transparency Rules ('DTR') of the Financial Services Authority (the 'FSA') in the United Kingdom that Jardine Matheson was interested indirectly in 858,680,001 ordinary shares representing 80.13% of the Company's current issued ordinary share capital. Apart from this shareholding, the Company is not aware of any notifiable interest in 3% or more, or any holders of voting rights in respect of 5% or more of the issued ordinary share capital of the Company as at 2nd April 2007.

The Bermuda Takeover Code which governs the Company provides for the disclosure of interests in shares of the Company. The obligation to disclose arises if and when a person is interested in 3% (or, in certain circumstances, 10%) or more of the shares of the same class. The higher limit of 10% applies, in broad terms, to a person authorized to manage investments under an investment management agreement or where such person is the operator of an authorized collective investment scheme.

The Company is also subject to the DTR of the FSA in the United Kingdom as a non-UK issuer pursuant to which a person must notify the Company of the percentage of voting rights which he holds in certain circumstances. 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% of the Company's issued share capital.

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

Relations with Shareholders

The Company maintains a dialogue with major shareholders and holds meetings following the announcement of the annual and interim results with institutional shareholders. A corporate website is maintained containing a wide range of information of interest to investors at www.jardines.com.

The 2007 Annual General Meeting will be held on 10th May 2007. 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.

Securities Purchase Arrangements

At the Annual General Meeting held on 15th June 2006, 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.

Related Party Transactions

Details of transactions with related parties entered into by the Company during the course of the year are included in note 38 to the financial statements on pages 73 and 74. 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.

Shareholder Information

Financial Calendar

2006 full-year results announced	7th March 2007
Share registers closed	26th to 30th March 2007
2006 final dividend scrip election period closes	27th April 2007
Annual General Meeting to be held	10th May 2007
2006 final dividend payable	16th May 2007
2007 half-year results to be announced	15th August 2007*
Share registers to be closed	3rd to 7th September 2007*
2007 interim dividend scrip election period closes	5th October 2007*
2007 interim dividend payable	24th October 2007*

**Subject to change*

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 by notifying the United Kingdom transfer agent in writing by 27th April 2007. The sterling equivalent of dividends declared in United States Dollars will be calculated by reference to a rate prevailing on 2nd May 2007. 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 IRG (Offshore) Ltd
P.O. Box 378
St Helier, Jersey JE4 0FF
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 on the Company can be accessed through the Internet at 'www.jardines.com'.

Group Offices

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Jardine Pacific Ltd	25th Floor, Devon House Taikoo Place 979 King's Road Quarry Bay Hong Kong	Telephone Facsimile Email	(852) 2579 2888 (852) 2856 9863 jpl@jardines.com Adam Keswick
Jardine Motors Group Ltd	31st Floor, The Lee Gardens 33 Hysan Avenue G.P.O. Box 209 Hong Kong	Telephone Facsimile Email	(852) 2895 7218 (852) 2894 9956 jmg@jardines.com Adam Keswick
Jardine Lloyd Thompson Group plc	6 Crutched Friars London EC3N 2PH United Kingdom	Telephone Facsimile Email Website	(44 20) 7528 4444 (44 20) 7528 4185 info@jltgroup.com www.jltgroup.com Dominic Burke
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Dairy Farm Management Services Ltd	7th Floor, Devon House Taikoo Place 979 King's Road G.P.O. Box 286 Hong Kong	Telephone Facsimile Email Website	(852) 2299 1888 (852) 2299 4888 groupcomm@dairy-farm.com.hk www.dairyfarmgroup.com Michael Kok
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