Jardine Strategic

Annual Report 2007

Jardine Strategic

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

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

Jardine Strategic is incorporated in Bermuda and has 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.

Jardine Strategic Holdings Limited
Jardine House
Hamilton
Bermuda

Contents

Highlights

- Underlying earnings per share up 38%
- Net assets per share up 46% to US$28.22
- Excellent performances from most businesses
- Hongkong Land property portfolio up 25%

Results	**2007** US$m	2006 US$m	Change %
Revenue together with revenue of associates and joint ventures*	**31,616**	27,136	*17*
Revenue	**15,328**	12,845	*19*
Profit after tax	**2,712**	1,870	*45*
Underlying profit attributable to shareholders†	**723**	522	*39*
Profit attributable to shareholders	**2,024**	1,412	*43*
Total equity	**13,318**	10,810	*23*
Shareholders' funds	**9,787**	7,627	*28*
	US$	US$	%
Underlying earnings per share†	**1.17**	0.85	*38*
Earnings per share	**3.28**	2.30	*43*
Dividends per share	**0.18**	0.17	*6*
Net asset value per share#	**28.22**	19.38	*46*

*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 note 1(u) to the financial statements. 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.

Chairman's Statement

Performance

The Group's businesses produced some excellent performances in 2007 as healthy market conditions prevailed. There were particularly good profit contributions from Astra and Hongkong Land. Accordingly, Jardine Strategic achieved a record underlying profit of US$723 million, an increase of 39%. Underlying earnings per share rose 38% to US$1.17. The turnover of the Group in 2007, including 100% of associates and joint ventures, was US$31.6 billion, compared with US$27.1 billion in the prior year.

Within Jardine Matheson, Jardine Pacific produced an improved contribution with increased earnings in a number of its businesses. Jardine Motors just fell short of its 2006 profit, which had been helped by greater one-off trading gains in the United Kingdom, while Jardine Lloyd Thompson did well to produce earnings growth in a difficult trading environment. Dairy Farm achieved another fine result with all its major operations performing well, and Hongkong Land reported a significant increase in earnings from both its commercial and residential businesses. At Mandarin Oriental, favourable markets, new hotels and a full year's contribution from its major Hong Kong property after renovation led to a significant increase in profit. Jardine Cycle & Carriage benefited from a strong performance by Astra. The Group's result was also enhanced by lower financing charges.

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 25% upward revaluation of Hongkong Land's portfolio in 2007 amounted to US$1,173 million, compared with US$751 million in 2006, and a further US$38 million increase was contributed by Jardine Matheson. The profit attributable to shareholders of US$2,024 million includes these property revaluations together with other non-trading items, including gains on disposals of shares in The Bank of N.T. Butterfield & Son and Edaran Otomobil Nasional, and compares with US$1,412 million in 2006.

The Group continued to strengthen its financial position in 2007 while maintaining active development programmes. Consolidated net debt excluding financial services companies was reduced by 52% to US$851 million, and this, together with further significant rises in property values, led to the Group's gearing falling from 16% to 6%. Shareholders' funds increased 28% to US$9.8 billion. The net asset value per share, based on the market price of the Company's holdings, rose 46% from US$19.38 to US$28.22 at the year end.

The Board is recommending a final dividend of US¢12.40 per share, representing an overall increase of 6% for the full year.

Business Activity

Business confidence in Asia remained robust during 2007 notwithstanding the increasing uncertainties in the financial markets in the United States and Europe in the second half of the year. In particular, mainland China's economy continued its strong rate of growth, while in Southeast Asia the recovery in Indonesia gathered pace. Overall, the contributions to the Group's underlying profit from Greater China and Southeast Asia were well matched in 2007, providing the Group with a good geographic mix as well as complementing its broad spread of market leading businesses.

Jardine Matheson's two wholly-owned subsidiaries, Jardine Pacific and Jardine Motors, had good results, while maintaining strong cash flows. Jardine Lloyd Thompson's recovery continued, with profit growth in sterling terms, and its contribution rose further on translation into US dollars.

Dairy Farm sustained the expansion of its successful banners in Asia, adding 618 outlets in 2007 to reach a total of 4,191. Mandarin Oriental is beginning to benefit from its enlarged portfolio of 21 hotels, with a further 18 properties under development in city and leisure destinations, including Beijing and Paris.

The commercial property cycle in Hong Kong attained a new peak in 2007, producing rental renewals in Hongkong Land's portfolio that will provide good levels of income over the next three years. In addition, the recognition of profits from residential projects will enhance earnings as these developments achieve completion.

Astra's excellent performance reflected impressive growth across nearly all its major businesses. Strong demand in the automotive sector in Indonesia, due to low interest rates and increased consumer confidence, benefited Astra's motor vehicle sales and financial services activities, while record prices have also led to an improved performance from Astra's oil palm plantations. The current year has started encouragingly, and the recently announced expansion of the group's coal mining activities also bodes well for future profitability.

In August 2007, the Company accepted an offer for its 20% shareholding in Edaran Otomobil Nasional, the listed Malaysian motor vehicle distributor. The Company also sold a 3% shareholding in The Bank of N.T. Butterfield & Son in Bermuda, leaving a remaining interest of 3.8%.

People

Mr. Peter Jamieson will retire from the Board at the forthcoming Annual General Meeting. I would like to express our appreciation for the significant contribution that he has made to the Company.

Outlook

Following a good set of results from Group companies in 2007, the current year is showing signs of being more challenging. Nevertheless, our businesses remain soundly financed and are positioned well to take advantage of the market place.

Henry Keswick
Chairman

7th March 2008

Jardine Strategic

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. (48%)

Dairy Farm

A listed pan-Asian retail group operating over 4,100 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 39 deluxe and first class hotels and resorts worldwide, including 18 under development. (73%)

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. (65%)

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 1st April 2008.)

Jardine Matheson

Jardine Matheson

An Asian-based conglomerate with a portfolio of interests in leading businesses, held in part through its 81% 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 1st April 2008.)

Segmental Information

Underlying Profit and Shareholders' Funds

	Underlying profit attributable to shareholders				Shareholders' funds			
	2007		2006		**2007**		2006	
	US$m	%	US$m	%	US$m	%	US$m	%
Jardine Matheson*	**130**	***18***	105	*20*	**970**	***10***	948	*12*
Hongkong Land	**163**	***22***	107	*20*	**5,595**	***57***	4,243	*56*
Dairy Farm	**201**	***28***	165	*32*	**388**	***4***	455	*6*
Mandarin Oriental	**59**	***8***	33	*6*	**925**	***10***	817	*11*
Jardine Cycle & Carriage	**27**	***4***	20	*4*	**127**	***1***	150	*2*
Astra International	**222**	***31***	122	*23*	**1,346**	***14***	1,214	*16*
Other holdings	**18**	***2***	50	*10*	**815**	***8***	688	*9*
Corporate	**(97)**	***(13)***	(80)	*(15)*	**(379)**	***(4)***	(888)	*(12)*
	723	***100***	522	*100*	**9,787**	***100***	7,627	*100*

*Excluding Jardine Strategic and its subsidiary undertakings and associates.

Market Value Basis Net Assets

	2007		2006	
	US$m	%	US$m	%
Jardine Matheson	**1,821**	***10***	949	*8*
Hongkong Land	**5,342**	***31***	4,212	*35*
Dairy Farm	**4,576**	***26***	3,568	*30*
Mandarin Oriental	**1,698**	***10***	1,201	*10*
Jardine Cycle & Carriage	**3,406**	***20***	2,102	*17*
Other holdings	**890**	***5***	693	*6*
Jardine Strategic Corporate	**(343)**	***(2)***	(770)	*(6)*
	17,390	***100***	11,955	*100*
Net asset value per share (US$)	**28.22**		19.38	

'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$9,139 million *(2006: US$7,004 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.

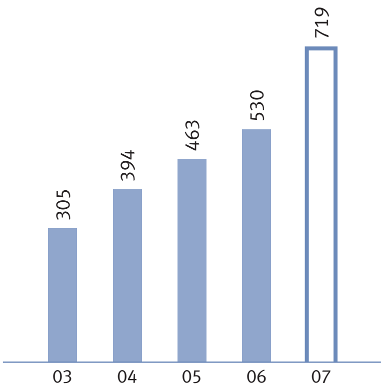
Net asset value per share is calculated on 'market value basis net assets' of US$17,390 million *(2006: US$11,955 million)* and on 616 million *(2006: 617 million)* shares outstanding at the year end which excludes the Company's share of the shares held by Jardine Matheson of 466 million *(2006: 455 million)* shares.

Operating Review

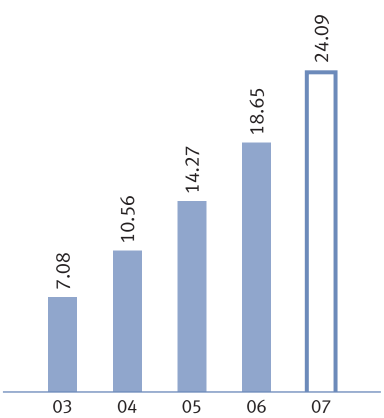
Jardine Matheson is a holding company with extensive operations in trading and services through Jardine Pacific; distribution, sales and service of motor vehicles through Jardine Motors Group; and specialist insurance broking and employee benefits services through Jardine Lloyd Thompson. Through its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

	2007	2006	Change (%)
Revenue (US$m)	**19,445**	16,281	19
Underlying profit attributable to shareholders (US$m)	**719**	530	36
Underlying earnings per share (US$)	**2.03**	1.51	34
Net asset value per share (US$)	**24.09**	18.65	29

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



Jardine Matheson Net Asset Value per Share (US$)



Jardine Matheson achieved a record underlying profit of US$719 million in 2007, an increase of 36%. Underlying earnings per share rose 34% to US$2.03. Jardine Matheson's profit attributable to shareholders of US$1,828 million benefited from investment property revaluations in Hongkong Land and Jardine Pacific, and other non-trading gains. Shareholders' funds increased 29% to US$8.5 billion.

During the year Jardine Matheson increased its shareholding in the Company to 81% by a combination of a tender offer, market purchases and scrip dividends involving the acquisition of some 20 million shares. Jardine Matheson also repurchased and cancelled its own shares through a tender offer and market purchases.

Jardine Pacific

Jardine Pacific produced an underlying profit from continuing businesses of US$115 million in 2007, up 15%, with good performances from most of its operations. The revaluation of the group's residential property investment portfolio produced a non-trading gain of US$70 million which together with gains on disposals led to a profit attributable to shareholders of US$213 million, an increase of 12%. Shareholders' funds were US$475 million at the end of 2007, giving an underlying return of 28% on average shareholders' funds.

Gammon continued to perform well and its contribution rose on completion of a number of major contracts. Jardine Schindler also performed strongly on new installations and produced further growth from its existing maintenance portfolio. JEC's contribution was steady with good performances in Thailand and the Philippines. Hong Kong Air Cargo Terminals enjoyed higher cargo volumes, although increased costs held back profit growth. Jardine Shipping Services benefited from better freight rates and increased volume, but Jardine Aviation Services was affected by lower fees. Jardine Restaurants achieved excellent earnings growth, however, it faced significant cost increases towards the year end. JOS produced higher underlying profits following an increase in sales. In June 2007, Jardine Pacific sold its 50% interest in Colliers Halifax in Japan to Hongkong Land.

Jardine Motors Group

Jardine Motors did well to achieve an underlying profit from continuing businesses in 2007 of US$63 million, equaling that of 2006 which had benefited from one-off gains. The profit attributable to shareholders was US$79 million, and included a VAT recovery of US$10 million in the United Kingdom.

Zung Fu produced a good performance in Hong Kong with increased deliveries of Mercedes-Benz cars and maintained its leading position in the luxury car market. Its Mercedes-Benz operation in Macau also had another good year. Zung Fu's Mercedes-Benz dealerships in Southern China continued their profitable growth with new car deliveries increasing significantly to over 4,000 units in 2007, and the planned expansion of this dealership network will bring the number of outlets to 17 in 2008. In the United Kingdom, Jardine Motors' operations achieved good growth in new and used car sales, helped in part by the acquisition of an Audi dealership group.

Jardine Lloyd Thompson

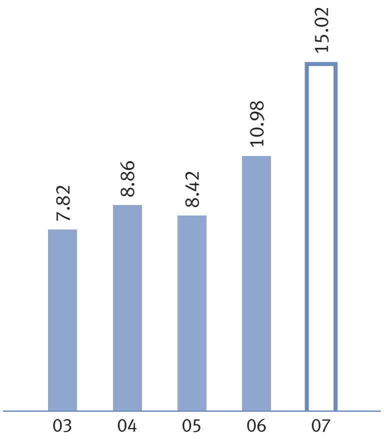
Jardine Lloyd Thompson achieved an overall improvement in its underlying performance in 2007 as the business repositioning and cost streamlining undertaken over the past two years began to bring benefits. This progress was set against challenging insurance markets and a weak US dollar. Turnover rose by 3% to US$949 million with the benefit of modest organic growth and acquisitions. The underlying trading margin improved to 13.1% from 12.8% in 2006. The underlying trading profit which excludes exceptional items and impairments rose 6% to US$125 million reflecting the higher turnover and improved operational efficiencies. The profit attributable to shareholders was US$145 million.

The Risk & Insurance group, which comprises Jardine Lloyd Thompson's worldwide retail operations and specialist risk and insurance businesses largely based in London, did well to record an increase in turnover and trading profit. The Employee Benefits business in the United Kingdom achieved a modest increase in trading profit and maintained its trading margin following an active year in 2006 that had been driven by regulatory and tax changes.

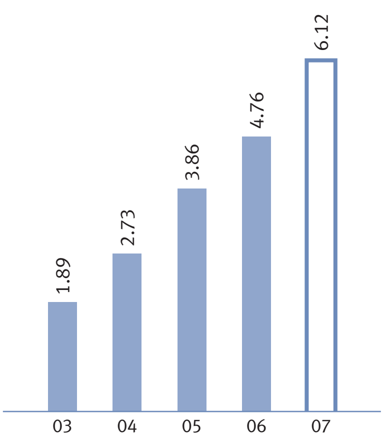
Hongkong Land is a major listed group with some 5 million sq. ft of prime commercial property in the heart of Hong Kong. The group also develops high quality commercial and residential projects in other cities in the Region.

	2007	2006	Change (%)
Underlying profit attributable to shareholders (US$m)	**345**	245	41
Adjusted net asset value per share* (US$)	**6.12**	4.76	29

Underlying Earnings per Share (US¢)



Adjusted Net Asset Value per Share* (US$)



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

Hongkong Land's underlying profit rose 41% to US$345 million in 2007 as it benefited from a strong market in Hong Kong and a higher contribution from residential developments. The valuation of the group's commercial investment properties, including the share of investment properties in joint ventures and associates, rose to US$15.1 billion at the year end, an increase of 25%. The profit attributable to shareholders, which incorporates the revaluation, was 49% higher at US$2,840 million.

There was demand for prime commercial office space in Hong Kong's Central district across all business sectors in 2007, and rents rose for the fourth consecutive year. The luxury retail market also remained strong, underpinning the contribution from Hongkong Land's premium retail space in Central. The group's results include the first full-year contribution from One Raffles Quay in Singapore, where the office market also performed well. Strong demand in the city-state led to a number of pre-commitments for space in the Marina Bay Financial Centre, the group's joint-venture development which is due to complete in two phases in 2010 and 2011.

Residential development projects were completed in Beijing and Singapore in 2007 leading to the recognition of US$73 million in profit, an increase of 90% over the prior year. There were also successful sales launches of a number of new developments, including the first phase of Bamboo Grove in Chongqing and four MCL Land projects in Singapore.

Dairy Farm is a leading pan-Asian retailer. The listed group, together with its associates, operates over 4,100 outlets – including supermarkets, hypermarkets, health and beauty stores, convenience stores, home furnishings stores and restaurants.

	2007 (US$m)	2006 (US$m)	Change (%)
Sales including 100% of associates	6,810	6,010	13
Underlying profit attributable to shareholders	258	211	22

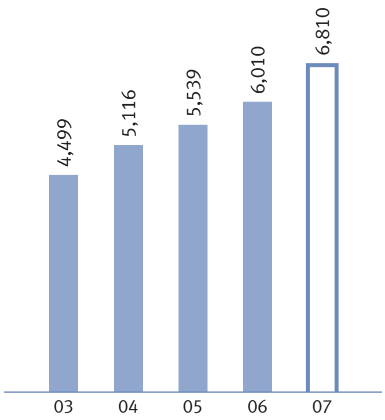
Dairy Farm achieved an excellent result in 2007 as favourable trading conditions persisted in its major markets. Sales, including 100% of associated companies, were 13% higher at US$6.8 billion, and the profit attributable to shareholders for the year rose 22% to US$258 million. Following the payment of a special dividend of US$215 million in October 2007, the group ended the year with net debt of just US$83 million.

Dairy Farm continued to expand its retail formats within selected territories in Asia, ending the year with 4,191 outlets. The group, however, decided to withdraw from its small health and beauty ventures in Korea and Thailand that had not met expectations.

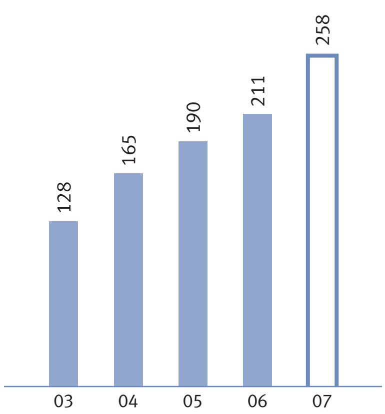
The group's operations in both Hong Kong and Macau performed well in 2007. In Southern China, an acquisition helped increase the number of 7-Eleven outlets to 440, while the repositioning of 30 Mannings health and beauty stores produced promising results. In Taiwan, its supermarkets remained stable in a competitive market, but the results from IKEA were below expectations despite two large store openings in 2006. Hong Kong restaurant associate, Maxim's, made further progress in sales and profit with the introduction of innovative products in its fast food operations and good performances from its restaurants and cakes activities.

A good result was achieved in Malaysia where the business is growing well, and in Singapore improved performances led to a recovery in earnings. The results from Indonesia remained unsatisfactory, although progress is being made and the market's medium-term prospects continue to be attractive. The group's first three supermarkets in Vietnam are now operational, while the expansion of its supermarket and health and beauty joint venture operations in India continued despite regulatory challenges.

Sales including 100% of Associates (US$ million)



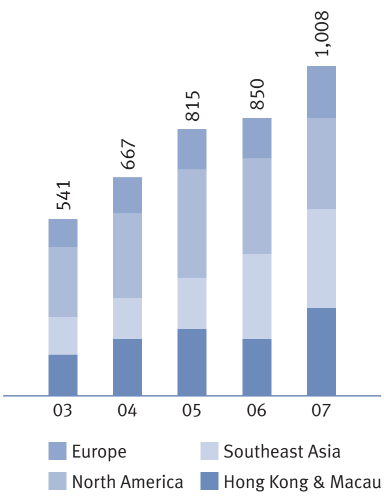
Underlying Profit Attributable to Shareholders (US$ million)



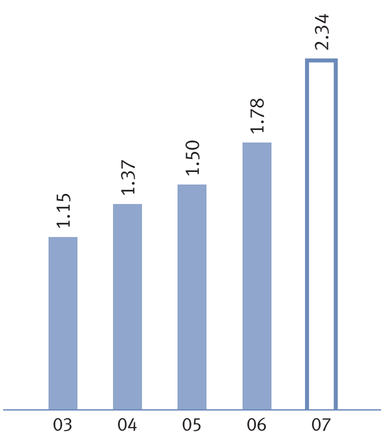
Mandarin Oriental is an international hotel investment and management group with a portfolio of 39 deluxe and first class hotels and resorts worldwide, including 18 under development. The listed company holds equity in a number of its hotels.

	2007 (US$m)	2006 (US$m)	Change (%)
Combined total revenue of hotels under management	**1,008**	850	19
Underlying profit attributable to shareholders	**87**	45	94

Combined Total Revenue by Geographical Area (US$ million)



Net Asset Value per Share* (US$)



*With leasehold properties at valuation

Favourable conditions in most markets and a limited new supply of hotel rooms in key city centre locations enabled Mandarin Oriental to achieve higher average rates and record earnings in 2007. In particular, the group's two wholly-owned Hong Kong hotels performed well. Earnings before interest, tax, depreciation and amortization for 2007 were US$190 million, compared with US$116 million in 2006 when Mandarin Oriental, Hong Kong was closed for renovation for nine months. The group's profit attributable to shareholders, which increased to US$108 million, also benefited from a US$16 million gain on the sale of half of its 50% equity interest in its New York hotel.

Mandarin Oriental's development programme gathered pace in 2007 with the announcement of eight new projects, comprising hotels in Beijing, Guangzhou, Taipei, Milan and Paris and three in resort destinations. Mandarin Oriental now has 10,000 rooms in operation or under development in 39 hotels. Of its 18 hotels under development, all will be managed on behalf of third-party owners with the exception of Paris, which is on a long-term lease. Ten of the projects also incorporate a 'Residences at Mandarin Oriental' component, in addition to the residences being built next to the group's existing hotel in London.

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.

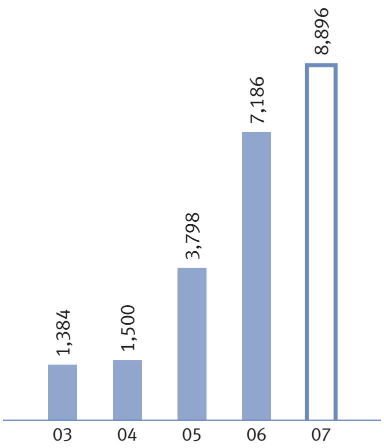
	2007 (US$m)	2006 (US$m)	Change (%)
Revenue	8,896	7,186	24
Underlying profit attributable to shareholders	374	205	82
Shareholders' funds	2,160	1,906	13

Jardine Cycle & Carriage performed well in 2007 as underlying profit rose 82% to US$374 million and underlying earnings per share were up 79% at US¢108. Profit attributable to shareholders rose 52% to US$340 million. A low interest rate environment, strong recovery in the motor car market in Indonesia and high palm oil prices led to an excellent increase in the group's earnings.

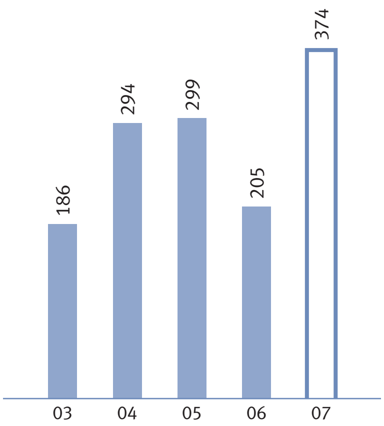
Astra's contribution to Jardine Cycle & Carriage's underlying profit was 76% higher at US$356 million. Its non-automotive activities performed particularly well with their share of the profits exceeding that of the automotive businesses. The contribution to underlying profit from Jardine Cycle & Carriage's other motor activities increased by 34% to US$43 million as its operations in Singapore and Indonesia enjoyed a good year, although Cycle & Carriage Bintang in Malaysia continued to face a difficult market.

Jardine Cycle & Carriage took further steps to focus its investments with the sale of its 40% interest in the Concorde Hotel in Malaysia to Hongkong Land, and a reduction to 15% of its shareholding in a Singapore consumer finance company. These disposals raised US$36 million and helped to strengthen its parent company balance sheet, which at the end of the year showed net debt of just US$31 million.

Revenue (US$ million)



Underlying Profit Attributable to Shareholders (US$ million)



	2007	2006	Change* (%)
Revenue† (US$ billion)	**12**	10	23
Underlying profit attributable to shareholders# (US$ million)	**711**	406	76
Shareholders' funds# (US$ million)	**2,863**	2,479	20

*Based on the change in Indonesian rupiah, being the reporting currency of Astra.
†Including 100% of revenue from associates and joint ventures.
#Reported under Indonesian GAAP.

Astra International
Astra benefited from the strong growth in the Indonesian economy in 2007 and reported a net profit for the year, under Indonesian accounting standards, equivalent to US$711 million, an increase of 76%.

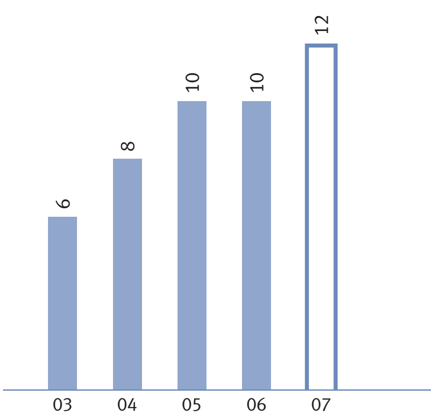
Earnings in Astra's automotive operations improved as the Indonesian wholesale motor vehicle market grew by 36% in 2007. Astra's motor sales increased by 28 % to 223,000 units, leading to a slightly lower market share of 52% which is more in line with past levels. The wholesale motorcycle market in Indonesia grew by 6% in the same period, but in the face of intense competition sales at Astra Honda Motor were 9% lower at 2.1 million units representing a reduced market share of 46%. New model launches and a repositioned strategy helped to underpin the market position, while improvements in margins and a more stable retail share enabled Astra to achieve overall earnings growth from the sector. The contribution from Astra Otoparts was well ahead of 2006 as its automotive component activities benefited from the market recovery.

The performance of Astra's consumer finance operations also reflected the growth in vehicle sales. The volume financed was 11% higher at US$2.3 billion, although the loan book ended the year 12% lower at US$1.7 billion as a greater proportion was joint-funded without recourse. The earnings at 44.5%-held Bank Permata also improved.

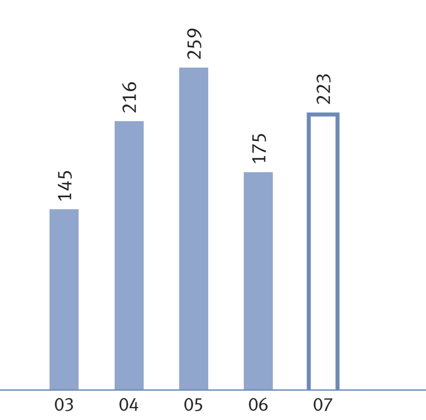
An excellent result was reported by Astra Agro Lestari, Astra's 80%-owned palm oil producer. While production was relatively flat due to poor weather conditions at the start of the year, a 69% increase achieved in crude palm oil prices boosted revenues and profits. United Tractors, which is 58%-held, benefited from strong demand for Komatsu equipment and recorded a 54% improvement in sales. The company's contract coal mining interests overcame adverse weather and operational interruptions to achieve a 28% increase in coal extracted and a 4% increase in overburden removed. A coal mining concession in South Kalimantan was acquired in January 2007, and an effective 70% stake in a further mine in Central Kalimantan was purchased in February 2008.

Astra's information technology activities and infrastructure investments performed satisfactorily in 2007, and the group is continuing to review further infrastructure investments.

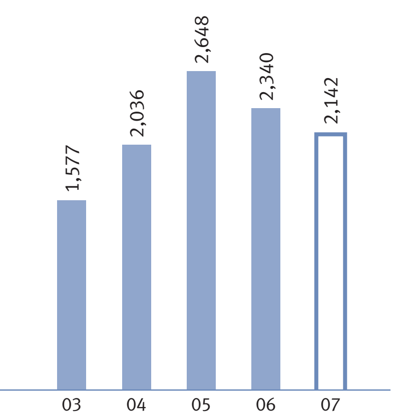
Revenue of Astra†
(US$ billion)



Motor Vehicle Sales of Astra†
(thousand units)



Motorcycle Sales of Astra†
(thousand units)



†Including 100% of revenue from associates and joint ventures

Further Interests

Rothschilds Continuation

The French and English branches of the Rothschild family took steps to unify their shareholdings through the listed French company Paris Orléans. In the reorganization, Rothschilds Continuation Holdings, in which the Company holds a 20% interest, increased its stake in the French bank, Rothschild et Cie Banque.

Tata Industries

Tata Industries is an unlisted Indian investment company in which the Company holds a 20% shareholding. Following the sale of a strategic stake in a cellular telephone operator in 2006, part of the proceeds was used to reduce debt and pay a dividend. In 2007, Tata Industries made commitments to new projects in a number of existing investee companies and identified further new investment opportunities. Tata Industries continues to review a range of new projects across a broad band of industry sectors.

Others

Edaran Otomobil Nasional, in which the Company held a 20% interest, continued to struggle in 2007 as the Malaysian motor vehicle sector remained difficult for the third consecutive year. It faced weak demand for Proton cars and, while some progress was made in reducing overheads, the National Automotive Policy introduced in 2006 made it hard to reposition the business. In August 2007, the Company accepted an offer for its entire shareholding made by another major investor, DRB-HICOM, which gave rise to a gain of US$19 million on completion of the sale in November 2007.

Asia Commercial Bank in Vietnam continued to trade well in 2007 with excellent balance sheet and profit growth as the local economy strengthened. The Company maintained its 7% shareholding through the conversion of convertible bonds and the full participation in a rights issue as the bank raised additional funds to grow its business.

The Company also took advantage of the strong share price of The Bank of N.T. Butterfield & Son in Bermuda to sell part of its interest. Some 3% was sold during the year, producing a gain of US$46 million, and leaving a remaining shareholding of 3.8%.

Anthony Nightingale
Managing Director

7th March 2008

Financial Review

Accounting Policies

There has been no change in the accounting policies adopted by the Group during the course of 2007.

Disclosures in Financial Statements

A comprehensive discussion of the Group's financial risk management policies is included in note 2 to the financial statements following adoption of IFRS 7, Financial Instruments: Disclosures.

The Group has changed the geographic disclosure in the financial statements to comprise Greater China, Southeast Asia, the United Kingdom and the rest of the world in order to reflect better the geographic spread of the Group's interests.

Results

Revenue increased by 19% to US$15.3 billion. Total revenue, including 100% of revenue from associates and joint ventures, increased by 17% to US$31.6 billion.

Underlying operating profit was US$1,351 million, an increase of 62%. This reflected a significant increase in the contribution from a number of Astra's major businesses, as well as higher contributions from Dairy Farm and Mandarin Oriental, partially offset by lower investment income. The overall operating profit of US$1,484 million included a number of non-trading items, among which were gains on the disposal of a 25% interest in Mandarin Oriental, New York, a 20% interest in Edaran Otomobil Nasional and part of the Group's interest in The Bank of N.T. Butterfield & Son, and an increase in the fair value of Astra's plantations. The equivalent figure for 2006 included profits from the disposal of The Mark hotel and property interests in Jardine Cycle & Carriage.

Summarized Cash Flow

	2007 US$m	2006 US$m
Operating cash flow of subsidiary undertakings	**1,710**	1,530
Dividends from Jardine Matheson	**131**	11
Dividends from associates and joint ventures	**203**	272
Operating activities	**2,044**	1,813
Capital expenditure and investments	**(569)**	(920)
Cash flow before financing	**1,475**	893

The underlying profit contribution from Jardine Matheson increased by 23% to US$130 million due to higher profits in Jardine Pacific and Jardine Lloyd Thompson, and lower corporate overheads, partially offset by lower contribution from Jardine Motors. The overall contribution was enhanced by an increase in the fair value of Jardine Pacific's investment properties, while the 2006 results included gains from business and investment disposals in Jardine Pacific and Jardine Motors, and an increase in the fair value of Jardine Pacific's investment properties.

The Group's share of underlying results of associates and joint ventures increased by 29% to US$425 million. This is attributable to higher contributions from Hongkong Land and Astra's joint ventures.

Net financing charges decreased from 2006 due to lower interest rates and lower borrowings.

The underlying effective tax rate for the year at 30% was marginally higher than 2006.

Underlying earnings per share increased 38% to US$1.17. The growth in underlying earnings was due to increased contributions from all businesses. The overall profit attributable to shareholders for the year of US$2,024 million included surpluses on the revaluation of investment properties in Hongkong Land and Jardine Pacific, and profit from the sale of various businesses and investments, partially offset by an impairment loss on Astra's motorcycle franchise rights. Overall earnings per share were US$3.28.

Dividends

The Board is recommending a final dividend of US¢12.40 per share, giving a total dividend of US¢18.00 per share for the year payable on 14th May 2008 to those persons registered as shareholders on 20th March 2008. The dividends are payable in cash with a scrip alternative.

Cash Flow and Funding

The cash inflow from operating activities for the year was

US$2,044 million. This represented an increase of US$231 million on 2006 due to higher operating profit. Capital expenditure for the year before disposals amounted to US$889 million. This included US$568 million for the purchase of tangible assets, mainly in Dairy Farm, Mandarin Oriental and Astra, and an investment of US$128 million in increasing shareholdings in Group companies. The sale of Mandarin Oriental's 25% interest in its New York property, part of the Company's holding in The Bank of N.T. Butterfield & Son and a capital distribution from Edaran Otomobil Nasional followed by the sale of that investment contributed US$71 million, US$54 million and US$46 million, respectively, to Group cash flow.

At the year end, undrawn committed facilities exceeded US$1.6 billion. In addition, the Group had available liquid funds of US$1.6 billion. Overall net borrowings, excluding those relating to Astra's financial services companies, decreased by US$918 million to US$851 million, representing 6% of total equity. Astra's financial services companies had net borrowings of US$1.3 billion. 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 2007 was 3.9 years *(2006: 3.4 years)*. US dollar denominated borrowings comprised 33% 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 2007 approximately 61% of the Group's borrowings, exclusive of financial services companies, were at floating rates and the remaining 39% were covered by interest rate hedges with major creditworthy financial institutions.

Asset Valuation

The Group's share of the surplus arising from the revaluation of investment properties amounted to US$1,211 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$41 million after tax, which was recognized in reserves.

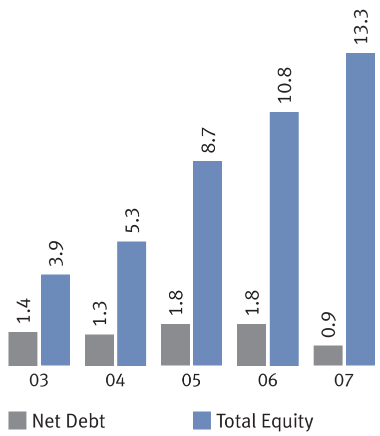
The value of the Group's other investments was remeasured at their fair values at the year end resulting in an attributable net surplus of US$199 million, which was recognized in reserves.

The Group shareholders' funds increased by 28% to US$9.8 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 19% to US$11.6 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. The investment of the Group's cash resources is managed so as to minimize risk while seeking to enhance yield. 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.

Net Debt* and Total Equity (US$ billion)



*Excluding net debt of financial services companies

James Riley
Chief Financial Officer

7th March 2008

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 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.

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

*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 2007

		2007			2006		
	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	4	15,328	–	15,328	12,845	–	12,845
Net operating costs	5	(13,977)	133	(13,844)	(12,012)	120	(11,892)
Operating profit	4	1,351	133	1,484	833	120	953
Financing charges		(177)	–	(177)	(176)	–	(176)
Financing income		82	–	82	72	–	72
Net financing charges	6	(95)	–	(95)	(104)	–	(104)
Share of results of Jardine Matheson	7	130	59	189	105	105	210
Share of results of associates and joint ventures	8	425	1,101	1,526	330	747	1,077
Profit before tax		1,811	1,293	3,104	1,164	972	2,136
Tax	9	(372)	(20)	(392)	(216)	(50)	(266)
Profit after tax		1,439	1,273	2,712	948	922	1,870
Attributable to:							
Shareholders of the Company	4 & 11	723	1,301	2,024	522	890	1,412
Minority interests		716	(28)	688	426	32	458
		1,439	1,273	2,712	948	922	1,870
				US$			US$
Earnings per share	10						
– basic				3.28			2.30
– diluted				3.19			2.25

Consolidated Balance Sheet

at 31st December 2007

	Note	2007 US$m	2006 US$m
Assets			
Intangible assets	*12*	**1,759**	1,741
Tangible assets	*13*	**2,912**	2,697
Investment properties	*14*	**28**	33
Plantations	*15*	**515**	460
Investment in Jardine Matheson	*16*	**962**	946
Associates and joint ventures	*17*	**7,514**	6,135
Other investments	*18*	**704**	572
Non-current debtors	*19*	**998**	1,146
Deferred tax assets	*20*	**102**	95
Pension assets	*21*	**107**	89
Non-current assets		**15,601**	13,914
Stocks and work in progress	*22*	**1,225**	1,138
Current debtors	*19*	**1,957**	1,821
Current investments	*18*	**21**	2
Current tax assets		**149**	140
Bank balances and other liquid funds	*23*		
– non-financial services companies		**1,423**	1,145
– financial services companies		**167**	173
		1,590	1,318
		4,942	4,419
Non-current assets classified as held for sale	*24*	**43**	56
Current assets		**4,985**	4,475
Total assets		**20,586**	18,389

Approved by the Board of Directors

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

7th March 2008

	Note	2007 US$m	2006 US$m
Equity			
Share capital	25	**54**	54
Share premium and capital reserves	26	**1,331**	1,325
Revenue and other reserves	27	**9,611**	7,302
Own shares held	29	**(1,209)**	(1,054)
Shareholders' funds		**9,787**	7,627
Minority interests	30	**3,531**	3,183
Total equity		**13,318**	10,810
Liabilities			
Long-term borrowings	31		
– non-financial services companies		**1,775**	1,926
– financial services companies		**616**	723
		2,391	2,649
Deferred tax liabilities	20	**508**	485
Pension liabilities	21	**66**	64
Non-current creditors	32	**63**	100
Non-current provisions	33	**34**	25
Non-current liabilities		**3,062**	3,323
Current creditors	32	**2,670**	2,202
Current borrowings	31		
– non-financial services companies		**499**	988
– financial services companies		**806**	954
		1,305	1,942
Current tax liabilities		**198**	80
Current provisions	33	**33**	32
Current liabilities		**4,206**	4,256
Total liabilities		**7,268**	7,579
Total equity and liabilities		**20,586**	18,389

Consolidated Statement of Recognized Income and Expense

for the year ended 31st December 2007

	2007 US$m	2006 US$m
Surpluses on revaluation of properties	**114**	120
Gains on revaluation of other investments	**165**	264
Actuarial gains on defined benefit pension plans	**59**	22
Net exchange translation differences	**(95)**	381
Losses on cash flow hedges	**(7)**	(15)
Tax on items taken directly to equity	**(20)**	(67)
Net income recognized directly in equity	**216**	705
Transfer to profit and loss on disposal of other investments	**(59)**	(45)
Transfer to profit and loss on realization of exchange reserves	**(4)**	(3)
Transfer to profit and loss in respect of cash flow hedges	**2**	3
Profit after tax	**2,712**	1,870
Total recognized income and expense for the year	**2,867**	2,530
Attributable to:		
Shareholders of the Company	**2,263**	1,794
Minority interests	**604**	736
	2,867	2,530

Consolidated Cash Flow Statement

for the year ended 31st December 2007

	Note	2007 US$m	2006 US$m
Operating activities			
Operating profit		1,484	953
Depreciation and amortization	*34 (a)*	450	377
Other non-cash items	*34 (b)*	50	63
Decrease in working capital	*34 (c)*	93	582
Interest received		75	69
Interest and other financing charges paid		(175)	(169)
Tax paid		(267)	(345)
		1,710	1,530
Dividends from Jardine Matheson		131	11
Dividends from associates and joint ventures		203	272
Cash flows from operating activities		2,044	1,813
Investing activities			
Purchase of subsidiary undertakings	*34 (d)*	(26)	(47)
Purchase of associates and joint ventures	*34 (e)*	(113)	(465)
Purchase of other investments	*34 (f)*	(83)	(94)
Purchase of land use rights		(30)	(17)
Purchase of other intangible assets		(25)	(4)
Purchase of tangible assets		(568)	(603)
Purchase of plantations		(41)	(22)
Advance of mezzanine loans		(3)	–
Repayment of mezzanine loans		12	–
Capital distribution from associates		14	1
Sale of subsidiary undertakings	*34 (g)*	–	227
Sale of associates and joint ventures	*34 (h)*	104	1
Sale of other investments	*34 (i)*	127	27
Sale of land use rights		14	26
Sale of tangible assets		43	50
Sale of investment properties		6	–
Cash flows from investing activities		(569)	(920)
Financing activities			
Capital contribution from minority shareholders		5	14
Drawdown of borrowings		3,664	3,469
Repayment of borrowings		(4,572)	(3,933)
Dividends paid by the Company		(33)	(26)
Dividends paid to minority shareholders		(256)	(216)
Cash flows from financing activities		(1,192)	(692)
Effect of exchange rate changes		(16)	42
Net increase in cash and cash equivalents		267	243
Cash and cash equivalents at 1st January		1,287	1,044
Cash and cash equivalents at 31st December	*34 (j)*	1,554	1,287

Notes to the Financial Statements

1 Principal Accounting Policies

(a) 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 2007, the Group adopted the following standards and interpretations to existing standards which are relevant to its operations:

IFRS 7	Financial Instruments: Disclosures
Amendment to IAS 1	Capital Disclosures
IFRIC 8	Scope of IFRS 2
IFRIC 9	Reassessment of Embedded Derivatives
IFRIC 10	Interim Financial Reporting and Impairment

IFRS 7, Financial Instruments: Disclosures introduces new disclosures relating to financial instruments. The complementary amendment to IAS 1, Presentation of Financial Statements – Capital Disclosures introduces disclosures about the level of an entity's capital and how it manages capital. These standards do not have any impact on the classification and valuation of the Group's financial instruments.

IFRIC 8, Scope of IFRS 2 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.

IFRIC 9, Reassessment of Embedded Derivatives 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.

IFRIC 10, Interim Financial Reporting and Impairment 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.

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

The following standards and interpretations to existing standards, which are relevant to the Group's operations, were published but are not yet effective in 2007:

IFRS 3, Business Combinations (effective for annual periods beginning on or after 1st July 2009), which replaces IFRS 3 (as issued in 2004), and the related amendment to IAS 27, Consolidated and Separate Financial Statements (effective for annual periods beginning on or after 1st July 2009) provide guidance for applying the acquisition method for business combinations. The Group will apply IFRS 3 and IAS 27 (as amended in 2008) from 1st January 2010 and will revise its accounting policy on business combinations accordingly.

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.

IAS 1, Presentation of Financial Statements (effective for annual periods beginning on or after 1st January 2009) replaces IAS 1 (as revised in 2003 and amended in 2005) and sets overall requirements for the presentation of financial statements, guidelines for their structure and minimum requirement for their content. The Group will apply IAS 1 from 1st January 2009.

IAS 23, Borrowing Costs (effective for annual periods beginning on or after 1st January 2009) supersedes IAS 23 (as revised in 1993) and requires the capitalization of borrowing costs relating to qualifying assets. The Group will apply IAS 23 from 1st January 2009 but there will be no impact on the results of the Group, as the Group was already following a policy of capitalizing borrowing costs directly attributable to the acquisition, construction and production of a qualifying asset.

Amendments to IFRS 2, Share-based Payment – Vesting Conditions and Cancellations (effective for annual periods beginning on or after 1st January 2009) clarify the definition of vesting conditions and provide guidance on the accounting treatment of cancellations by parties other than the entity. The Group will apply the amendments to IFRS 2 from 1st January 2009, 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) addresses service concession arrangements that require the operator of a service concession arrangement to recognize a financial asset, an intangible asset or both, depending on the contractual terms of the arrangement. 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.

IFRIC 13, Customer Loyalty Programmes (effective for annual periods beginning on or after 1st July 2008) addresses the accounting by entities that grant loyalty award credits to customers who buy goods or services. Specifically it explains how such entities should account for their obligation to provide free or discounted goods to customers who redeem award credits. The Group will apply IFRIC 13 from 1st January 2009, but it is not expected to have any significant impact on the results of the Group.

IFRIC 14, IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (effective for annual periods beginning on or after 1st January 2008) provides general guidance on how to assess the limit in IAS 19 on the amount of surplus in a pension plan that can be recognized as an asset by the employer under a defined benefit plan. It also explains how the pension asset or liability may be affected when there is a statutory or contractual minimum funding requirement. The Group will apply IFRIC 14 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 functional currency of the Company is United States dollars. The consolidated financial statements are presented in United States dollars.

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

(b) Basis of consolidation

(i) The consolidated financial statements include the financial statements of the Company, its subsidiary undertakings and, on the bases set out in (ii) and (iii) 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.

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

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

(iii) 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.

(iv) 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.

(v) The results of entities other than subsidiary undertakings, associates and joint ventures, and Jardine Matheson are included to the extent of dividends received when the right to receive such dividend is established.

(c) Foreign currencies
Transactions in foreign currencies are accounted for at the exchange rates ruling at the transaction dates.

Assets and liabilities of subsidiary undertakings, associates and joint ventures, together with all other monetary assets and liabilities expressed in foreign currencies, are translated into United States dollars at the rates of exchange ruling at the year end. Results expressed in foreign currencies are translated into United States dollars at the average rates of exchange ruling during the year, which approximate the exchange rates at the dates of the transactions.

Exchange differences arising from the retranslation of the net investment in foreign subsidiary undertakings, associates and joint ventures, and of financial instruments which are designated as hedges of such investments, are 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.

(d) 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 is separately identifiable cash flows.

(e) Intangible assets
(i) Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary undertaking, associate or joint venture at the effective date of acquisition, 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.

(ii) Franchise rights, which are rights under franchise agreements, are separately identified intangible assets acquired as part of a business combination. These franchise agreements are deemed to have indefinite lives because either they do not have any term of expiry or their renewal by the Group would be probable and would not involve significant costs, taking into account the history of renewal and the relationships between the franchisee and the contracting parties. The useful lives are reviewed at each balance sheet date. Franchise rights are carried at cost less accumulated impairment loss.

(iii) 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.

(iv) 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.

(f) 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. Mining properties, which are contractual rights to mine and own coal reserves in specified concession areas, and other tangible fixed assets are stated at cost less amounts provided for depreciation. Cost of mining properties includes expenditure to restore and rehabilitate coal mining areas following the completion of production.

Depreciation of tangible fixed assets other than mining properties is calculated on the straight line basis to allocate the cost or valuation of each asset to its residual value over its estimated useful life. The residual values and useful lives are reviewed at each balance sheet date. The estimated useful lives are as follows:

Buildings	20 – 150 years
Surface, finishes and services of hotel properties	20 – 30 years
Leasehold improvements	period of the lease
Plant and machinery	2 – 20 years
Furniture, equipment and motor vehicles	2 – 15 years

No depreciation is provided on freehold land as it is deemed to have an indefinite life. Mining properties are depreciated using the unit of production method.

Where the carrying amount of a tangible fixed asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

The profit or loss on disposal of tangible fixed assets is recognized by reference to their carrying amount.

(g) Investment properties

Investment properties are held for long-term rental yields. Properties under operating leases which are held for long-term rental yields are classified and accounted for as investment properties. Investment properties are carried at fair value, representing estimated open market value determined annually by independent qualified valuers who have recent experience in the location and category of the investment property being valued. The market value of each property is calculated on the discounted net rental income allowing for reversionary potential. Changes in fair value are recorded in the consolidated profit and loss account.

(h) 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 by management, less estimated point of sale costs. Changes in fair value are recorded in the consolidated profit and loss account.

(i) Investments

(i) Investments are classified by management as available for sale or held to maturity on initial recognition. Available-for-sale investments are shown at fair value. Gains and losses arising from changes in the fair value are dealt with in reserves. On the disposal of an 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. Held-to-maturity investments are shown at amortized cost. Investments are classified under non-current assets unless their maturities are within twelve months after the balance sheet date.

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

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

(j) Leases

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

(i) Amount due from lessees under finance leases are recorded as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

(ii) Plant and machinery under finance leases are capitalized at the commencement of the lease at the lower of the fair value of the leased asset and the present value of the minimum lease payments. Lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding.

(iii) Payments made under operating leases (net of any incentives received from the lessor) are charged to 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.

(k) 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.

(l) Debtors

Consumer financing debtors and finance lease receivables are measured at amortized cost using the effective interest method. The gross amount due from customers for contract work is stated at cost plus an appropriate proportion of profit, established by reference to the percentage of completion, and after deducting progress payments and provisions for foreseeable losses. Repossessed assets of finance companies are measured at the lower of the carrying amount of the debtors in default and fair value less costs to sell. All other debtors 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 by reference to historical loss experience. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments are considered indicators that the debtor is impaired. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in arriving at operating profit. When a debtor is uncollectible, it is written off against the allowance account. Subsequent recoveries of amount previously written off are credited in the consolidated profit and loss account.

Debtors with maturities greater than twelve months after the balance sheet date are classified under non-current assets.

(m) Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise deposits with banks and financial institutions, bank and cash balances, and liquid investments, net of bank overdrafts. In the balance sheet, restricted bank balances and deposits are included in non-current debtors, and bank overdrafts are included in current borrowings.

Liquid investments, which are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value, are included in bank balances and other liquid funds and are stated at market value. Increases or decreases in market value are dealt with in the consolidated profit and loss account.

(n) 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.

(o) Borrowings and borrowing costs

Borrowings are initially recognized at fair value, net of transaction costs incurred. In subsequent periods, borrowings are stated at amortized cost using the effective interest method.

On the issue of bonds which are convertible into 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 with changes in fair value recognized in the consolidated profit and loss account.

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.

(p) 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.

(q) Employee benefits

(i) 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.

(ii) 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.

(r) 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.

(s) 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.

(t) Insurance contracts
Insurance contracts are those contracts that transfer significant insurance risk.

Premiums on insurance contracts are recognized as revenue proportionately over the period of coverage. The portion of premium received on in-force contracts that relates to unexpired risks at the balance sheet date is reported as the unearned premium liability. Claims and loss adjustment expenses are charged to the consolidated profit and loss account as incurred based on the estimated liabilities for compensation owed to contract holders or third parties damaged by the contract holders. They include direct and indirect claims settlement costs and arise from events that have occurred up to the balance sheet date even if they have not yet been reported to the Group. The Group does not discount its liabilities for unpaid claims. Liabilities for unpaid claims are estimated using the input of assessments for individual cases reported to the Group and statistical analyses for the claims incurred but not reported.

Financial guarantee contracts under which the Group accepts significant risk from a third party by agreeing to compensate that party on the occurrence of a specified uncertain future event are accounted for in a manner similar to insurance contracts. Provisions are recognized when it is probable that the Group has obligations under such guarantees and an outflow of resources embodying economic benefits will be required to settle the obligations.

(u) Non-trading items

Non-trading items are separately identified to provide greater understanding of the Group's underlying business performance. Items classified as non-trading items include fair value gains or losses on revaluation of investment properties and plantations; gains and losses arising from the sale of businesses, investments and properties; impairment of non-depreciable intangible assets and other investments; provisions for the closure of businesses; and other credits and charges of a non-recurring nature that require inclusion in order to provide additional insight into underlying business performance.

(v) 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.

(w) 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.

(x) Revenue recognition

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

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

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

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

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

(y) Pre-operating costs

Pre-operating costs are expensed as they are incurred.

(z) Comparative figures

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

2 Financial Risk Management

(a) Financial risk factors

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

The Group's treasury function co-ordinates, under the directions of the Board of Jardine Matheson Limited, financial risk management policies and their implementation on a group-wide basis. The Group's treasury policies are designed to manage the financial impact of fluctuations in interest rates and foreign exchange rates and to minimise the Group's financial risks. The Group uses derivative financial instruments, principally interest rate swaps, caps and collars, and forward foreign exchange contracts and foreign currency options as appropriate for hedging transactions and managing the Group's assets and liabilities in accordance with the Group's financial risk management policies. 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. It is the Group's policy not to enter into derivative transactions for speculative purposes. The notional amounts and fair values of derivative financial instruments at 31st December 2007 are disclosed in note 35.

(i) Market risk

Foreign exchange risk

Entities within the Group are exposed to foreign exchange risk from future commercial transactions, net investments in foreign operations and net monetary assets and liabilities that are denominated in a currency that is not the entity's functional currency.

Group companies are required to manage their foreign exchange risk against their functional currency. To manage their foreign exchange risk arising from future commercial transactions entities in the Group use forward foreign exchange contracts and foreign currency options in a consistent manner to hedge firm and anticipated foreign exchange commitments. Forward foreign exchange contracts may also be used to hedge net investments in foreign operations where the currency concerned is anticipated to be volatile, the exposure of the Group is material and the hedging is cost effective. Foreign currency borrowings are required to be swapped into the entity's functional currency using cross-currency swaps except where the foreign currency borrowings are repaid with cash flows generated in the same foreign currency. The purpose of these hedges is to mitigate the impact of movements in foreign exchange rates on assets and liabilities and the profit and loss account of the Group.

At 31st December 2007 the Group's Indonesian rupiah functional entities had United States dollar denominated net monetary liabilities of US$211 million *(2006: US$345 million)*. At 31st December 2007, if the United States dollar had strengthened/weakened by 10% against the Indonesian rupiah with all other variables unchanged, the Group's profit after tax would have been US$15 million *(2006: US$24 million)* lower/higher, arising from foreign exchange losses/gains taken on translation. The amount attributable to the Group after minority interests would be US$3 million *(2006: US$5 million)*. This sensitivity analysis ignores any offsetting foreign exchange factors and has been determined assuming that the change in foreign exchange rates had occurred at the balance sheet date. The stated change represents management's assessment of reasonably possible changes in foreign exchange rates over the period until the next annual balance sheet date. There are no other significant monetary balances held by Group companies at 31st December 2007 that are denominated in a non-functional currency. Currency risks as defined by IFRS 7 arise on account of monetary assets and liabilities being denominated in a currency that is not the functional currency; differences resulting from the translation of financial statements into the Group's presentation currency are not taken into consideration.

Interest rate risk

The Group is exposed to interest rate risk through the impact of rate changes on interest bearing liabilities and assets. These exposures are managed partly by using natural hedges that arise from offsetting interest rate sensitive assets and liabilities, and partly through the use of derivative financial instruments such as interest rate swaps, caps and collars. The Group monitors interest rate exposure on a monthly basis by currency and business unit, taking into consideration proposed financing and hedging arrangements. The Group's guideline is to maintain 40% to 60% of its gross borrowings, exclusive of the financial services companies, in fixed rate instruments with an average tenor of two to three years. At 31st December 2007 the Group's interest rate hedge was 39% *(2006: 36%)*, with an average tenor of 2.5 years *(2006: 2.7 years)*. The financial services companies borrow predominately at a fixed rate. The interest rate profile of the Group's borrowings after taking into account hedging transactions are set out in note 31.

Cash flow interest rate risk is the risk that changes in market interest rates will impact cash flows arising from variable rate financial instruments. Borrowings at floating rates therefore expose the Group to cash flow interest rate risk. The Group manages this risk by using forward rate agreements to a maturity of one year, and by entering into interest rate swaps, caps and collars for a maturity of up to five years. Forward rate agreements and interest rate swaps have the economic effect of converting borrowings from floating rate to fixed rate, caps provide protection against a rise in floating rates above a pre-determined rate, whilst collars combine the purchase of a cap and the sale of a floor to specify a range in which an interest rate will fluctuate.

Fair value interest rate risk is the risk that the value of a financial asset or liability and derivative financial instruments will fluctuate because of changes in market interest rates. The Group manages its fair value interest rate risk by entering into interest rate swaps which have the economic effect of converting borrowings from fixed rate to floating rate.

At 31st December 2007, if interest rates had been 100 basis points higher/lower with all other variables held constant, the Group's profit after tax would have been US$2 million *(2006: US$6 million)* lower/higher, and hedging reserves would have been US$9 million *(2006: US$11 million)* higher/lower as a result of fair value changes to cash flow hedges. The sensitivity analysis has been determined assuming that the change in interest rates had occurred at the balance sheet date and had been applied to the exposure to interest rate risk for both derivative and non-derivative financial instruments in existence at that date. The 100 basis point increase or decrease represents management's assessment of a reasonably possible change in those interest rates which have the most impact on the Group, specifically the United States, Hong Kong and Indonesian rates, over the period until the next annual balance sheet date. In the case of effective fair value hedges, changes in fair value caused by interest rate movements balance out in the profit and loss account against changes in the fair value of the hedged item. Changes in market interest rates affect the interest income or expense of non-derivative variable-interest financial instruments, the interest payments of which are not designated as hedged items of cash flow hedges against interest rate risks. As a consequence, they are included in the calculation of profit after tax sensitivities. Changes in the market interest rate of financial instruments that were designated as hedging instruments in a cash flow hedge to hedge payment fluctuations resulting from interest rate movements affect the hedging reserves and are therefore taken into consideration in the equity-related sensitivity calculations.

Price risk

The Group is exposed to equity securities price risk because of listed and unlisted equity investments which are available for sale and held by the Group at fair value. Gains and losses arising from changes in the fair value of available-for-sale investments are dealt with in reserves. The performance of the Group's listed and unlisted available-for-sale investments are monitored regularly, together with an assessment of their relevance to the Group's long term strategic plans. Details of the Group's available-for-sale investments are contained in note 18.

Available-for-sale investments are unhedged. At 31st December 2007, if the price of listed and unlisted available-for-sale equity investments had been 25% higher/lower with all other variables held constant, total equity would have been US$179 million *(2006: US$144 million)* higher/lower. The sensitivity analysis has been determined based on a reasonable expectation of possible valuation volatility over the next 12 months.

The Group is exposed to financial risks arising from changes in commodity prices, primarily crude palm oil. The Group's policy is generally not to hedge commodity price risk, although limited hedging is undertaken for strategic reasons. In such cases the Group uses forward contracts to hedge the price risk. To mitigate or hedge the price risk, Group companies may enter into a forward contract to buy the commodity at a fixed price at a future date, or a forward contract to sell the commodity at a fixed price at a future date. The Group considers the outlook for crude palm oil prices regularly in considering the need for active financial risk management.

(ii) Credit risk

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

The Group manages its deposits with banks and financial institutions and transactions involving derivative financial instruments by monitoring credit ratings and limiting the aggregate risk to any individual counterparty. The utilization of credit limits is regularly monitored. At 31st December 2007, over 66% *(2006: 63%)* of deposits and balances with banks and financial institutions were made to institutions with credit ratings of no less than A- (Fitch). Similarly transactions involving derivative financial instruments are with banks with sound credit ratings. In developing countries it may be necessary to deposit money with banks that have a lower credit rating, however the Group only enters into derivative transactions with counterparties which have credit ratings of at least investment grade. Management does not expect any counterparty to fail to meet its obligations.

In respect of credit exposures to customers, the Group has policies in place to ensure that sales on credit without collateral are made principally to corporate companies with an appropriate credit history. The Group normally obtains collateral from consumer financing debtors towards settlement of vehicle receivables. Customers give the right to the Group to sell the repossessed collateral or take any other action to settle the outstanding receivable. Sales to other customers are made in cash or by major credit cards.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet after deducting any impairment allowance. The Group's exposure to credit risk arising from debtors is set out in note 19 and totals US$2,955 million *(2006: US$2,967 million)*. The Group's exposure to credit risk arising from exposure to derivative financial instruments with a positive fair value is disclosed in note 19 as a component of other debtors and totals US$23 million *(2006: US$8 million)*. The Group's exposure to credit risk arising from deposits and balances with banks and financial institutions is set out in note 23 and totals US$1,524 million *(2006: US$1,246 million)*.

(iii) Liquidity risk
Prudent liquidity risk management includes managing the profile of debt maturities and funding sources, maintaining sufficient cash and marketable securities, and ensuring the availability of funding from an adequate amount of committed credit facilities and the ability to close out market positions. The Group's ability to fund its existing and prospective debt requirements is managed by maintaining diversified funding sources with adequate committed funding lines from high quality lenders.

At 31st December 2007, total available borrowing facilities amounted to US$5.8 billion *(2006: US$6.3 billion)* of which US$3.7 billion *(2006: US$4.6 billion)* was drawn down. Undrawn committed facilities, in the form of revolving credit and term loan facilities, totaled US$1.6 billion *(2006: US$1.4 billion)*.

An ageing analysis of the Group's financial liabilities based on the remaining period at the balance sheet to the contractual maturity dates is included in notes 31, 32 and 35.

(b) Capital management
The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern whilst seeking to maximize benefits to shareholders and other stakeholders.

The Group actively and regularly reviews and manages its capital structure to ensure optimal capital structure and shareholder returns, taking into consideration the future capital requirements of the Group and capital efficiency, prevailing and projected profitability, projected operating cash flows, projected capital expenditures and projected strategic investment opportunities. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, purchase Group shares, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital on the basis of the Group's consolidated gearing ratio and consolidated interest cover. The gearing ratio is calculated as net debt divided by total equity. Net debt is calculated as total borrowings less bank balances and other liquid funds. Interest cover is calculated as underlying business performance divided by net financing charges. The ratios are monitored both inclusive and exclusive of the Group's financial services companies, which by their nature are generally more highly leveraged than the Group's other businesses. The Group does not have a defined gearing or interest cover benchmark or range.

The ratios at 31st December 2006 and 2007 are as follows:

	2007	2006
Gearing ratio exclusive of financial services companies (%)	**6**	16
Gearing ratio inclusive of financial services companies (%)	**16**	30
Interest cover exclusive of financial services companies (times)	**18**	11
Interest cover inclusive of financial services companies (times)	**20**	12

The decrease in gearing ratio at 31st December 2007 and the increase in interest cover for the year then ended as compared to 2006 are primarily due to strong cashflows generated by Group companies.

(c) Fair value estimation

The fair value of listed investments is based on quoted market prices. The quoted market price used for listed investments held by the Group is the current bid price. Unlisted investments have been valued by reference to the market prices of the underlying investments or by reference to the current market value of identical or similar investments.

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

The fair value of interest rate swaps and caps is calculated by reference to the present value of the estimated future cash flows, taking into account current interest rates as observed from the market. The fair value of forward foreign exchange contracts is determined using forward exchange market rates at the balance sheet date.

3 Critical Accounting Estimates and Judgements

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

(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 discounted net income allowing for reversionary potential.

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

(d) Plantations

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

Management determines the assumptions to be used including the yield per hectare based on industry standards and historical experience, a ten-year moving average crude palm oil price as the basis for deriving the price of fresh fruit bunches and the appropriate capitalization rates. These assumptions are confirmed by independent professionally qualified valuers.

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 results of the impairment reviews undertaken at 31st December 2007 on the Group's indefinite life franchise rights indicated that no impairment charge was necessary, except for an impairment charge of US$75 million (the amount attributable to the Group after minority interests is US$24 million) which arose from the motorcycle franchise rights of a joint venture due to competitive pressures faced by the motorcycle market in Indonesia *(refer note 11)*. If the forecast gross margin had been 1% lower than management's estimate, the Group would have recognized a further impairment charge of US$54 million. If the estimated pre-tax discount rate applied in the discounted cash flows for the franchise rights had been 1% higher, the Group would have recognized a further impairment charge of US$40 million.

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

(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.

4 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		Operating profit		Underlying profit attributable to shareholders		Capital expenditure		Segment assets		Segment liabilities	
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
	US$m	US$m	US$m	US$m	US$m	US$m	US$m	US$m	US$m	US$m	US$m	US$m	US$m	US$m
By business:														
Jardine Matheson	7,094	6,618	–	–	–	–	130	105	–	–	–	–	–	–
Hongkong Land	933	556	–	–	–	–	163	107	–	–	–	–	–	–
Dairy Farm	6,810	6,010	5,887	5,175	276	233	201	165	239	218	1,969	1,756	(1,490)	(1,287)
Mandarin Oriental	905	731	529	405	133	122	59	33	55	130	1,440	1,367	(109)	(93)
Jardine Cycle & Carriage	1,754	1,595	1,239	1,119	38	54	27	20	5	14	354	364	(137)	(128)
Astra														
– automotive	8,020	6,461	4,198	3,384	237	131	90	62	110	110	1,250	1,214	(387)	(341)
– financial services	1,330	1,424	798	805	173	88	48	22	32	33	2,071	2,263	(1,732)	(1,972)
– agribusiness	651	411	651	411	352	159	55	24	86	63	897	780	(69)	(40)
– heavy equipment	2,075	1,581	1,982	1,500	260	178	31	18	195	221	1,379	1,264	(340)	(204)
– other	238	169	80	70	11	14	(2)	(4)	8	8	78	72	(22)	(20)
– intersegment transactions/ balances	(36)	(26)	(36)	(27)	1	–	–	–	–	–	(20)	(8)	20	8
	12,278	10,020	7,673	6,143	1,034	570	222	122	431	435	5,655	5,585	(2,530)	(2,569)
– goodwill	–	–	–	–	–	–	–	–	16	7	271	265	–	–
	12,278	10,020	7,673	6,143	1,034	570	222	122	447	442	5,926	5,850	(2,530)	(2,569)
	29,774	25,530	15,328	12,842	1,481	979	802	552	746	804	9,689	9,337	(4,266)	(4,077)
Corporate and other interests	2,233	1,854	–	3	4	(26)	(79)	(30)	–	–	31	16	(38)	(34)
Intersegment transactions/ balances	(391)	(248)	–	–	(1)	–	–	–	–	–	(22)	(19)	16	11
	31,616	27,136	15,328	12,845	1,484	953	723	522	746	804	9,698	9,334	(4,288)	(4,100)
By geographical location:														
Greater China	7,915	7,380	3,281	2,929	196	124	349	236	99	197	1,441	1,381	(738)	(675)
Southeast Asia	18,330	14,978	11,751	9,652	1,209	745	371	243	623	592	7,437	7,198	(3,422)	(3,305)
United Kingdom	2,788	2,490	87	71	23	18	31	31	2	4	399	370	(18)	(10)
Rest of the world	741	682	209	190	53	92	51	42	22	11	412	388	(88)	(87)
	29,774	25,530	15,328	12,842	1,481	979	802	552	746	804	9,689	9,337	(4,266)	(4,077)
Corporate and other interests	2,233	1,854	–	3	4	(26)	(79)	(30)	–	–	31	16	(38)	(34)
Intersegment transactions/ balances	(391)	(248)	–	–	(1)	–	–	–	–	–	(22)	(19)	16	11
	31,616	27,136	15,328	12,845	1,484	953	723	522	746	804	9,698	9,334	(4,288)	(4,100)

	2007 US$m	2006 US$m
Operating profit	1,484	953
Results of Jardine Matheson	189	210
Results of Hongkong Land	1,342	856
Results of other associates and joint ventures	184	221
Net financing charges and tax	(487)	(370)
Profit after tax	2,712	1,870

	Segment assets 2007 US$m	Segment assets 2006 US$m	Segment liabilities 2007 US$m	Segment liabilities 2006 US$m
Segment assets and liabilities	9,698	9,334	(4,288)	(4,100)
Investment in Jardine Matheson	970	948	–	–
Investment in Hongkong Land	5,595	4,243	–	–
Investment in other associates and joint ventures	1,931	1,908	–	–
Unallocated assets and liabilities	2,405	1,960	(2,980)	(3,479)
Intercompany transactions	(13)	(4)	–	–
Total assets and liabilities	20,586	18,389	(7,268)	(7,579)

Revenue consists primarily of the sale of goods. Rental income from investment properties amounted to US$2 million *(2006: US$2 million)*.

Revenue together with revenue of associates and joint ventures includes 100% of revenue from associates and joint ventures.

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

Greater China includes Hong Kong, Macau, mainland China and Taiwan.

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

5 Net Operating Costs

	2007 US$m	2006 US$m
Cost of sales	**(11,411)**	(9,672)
Other operating income	**289**	285
Selling and distribution costs	**(1,835)**	(1,751)
Administration expenses	**(843)**	(715)
Other operating expenses	**(44)**	(39)
	(13,844)	(11,892)
The following credits/(charges) are included in net operating costs:		
Cost of stocks and properties for sale recognized as expense	**(9,764)**	(8,279)
Depreciation of tangible assets	**(428)**	(360)
Amortization of land use rights and other intangible assets	**(22)**	(17)
Impairment of tangible assets	**(2)**	(3)
Impairment of debtors	**(68)**	(117)
Operating expenses arising from investment properties	**(1)**	(1)
Employee benefit expense		
– salaries and benefits in kind	**(1,173)**	(1,030)
– share options granted	**(4)**	(3)
– defined benefit pension plans *(refer note 21)*	**(23)**	(23)
– defined contribution pension plans	**(34)**	(27)
	(1,234)	(1,083)
Net foreign exchange (losses)/gains	**(19)**	52
Operating leases		
– minimum lease payments	**(490)**	(428)
– contingent rents	**(10)**	(5)
– subleases	**31**	23
	(469)	(410)
Interest income from mezzanine loans	**2**	4
Dividend and interest income from available-for-sale investments	**16**	34
Dividend and interest income from held-to-maturity investments	**1**	–
Rental income	**9**	9
Net operating costs included the following gains/(losses) from non-trading items:		
Increase in fair value of investment properties	**1**	7
Increase in fair value of plantations	**35**	22
Sale and closure of businesses	**17**	81
Sale of investments	**70**	–
Sale of property interests	**–**	10
Restructuring of businesses	**(7)**	–
Realization of exchange gains*	**8**	–
Discount on acquisition of businesses	**5**	–
Other	**4**	–
	133	120

*Arising on repatriation of capital from a foreign subsidiary undertaking.

6 Net Financing Charges

	2007 US$m	2006 US$m
Interest expense		
– bank loans and advances	**(111)**	(124)
– bonds and other loans	**(56)**	(49)
	(167)	(173)
Fair value gain on fair value hedges	**15**	–
Fair value adjustment on hedged items attributable to the hedged risk	**(15)**	–
	–	–
Commitment and other fees	**(10)**	(3)
Financing charges	**(177)**	(176)
Financing income	**82**	72
	(95)	(104)

7 Share of Results of Jardine Matheson

	2007 US$m	2006 US$m
Share of results of Jardine Matheson included the following gains/(losses) from non-trading items:		
Increase in fair value of investment properties	**38**	37
Sale and closure of businesses	**5**	20
Sale of investments	**–**	46
Sale of property interests	**1**	–
Pension curtailment	**–**	7
Restructuring of businesses	**7**	(5)
Realization of exchange gains*	**4**	–
Value added tax recovery in Jardine Motors Group	**5**	–
Other	**(1)**	–
	59	105

*Arising on repatriation of capital from a foreign subsidiary undertaking.

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

8 Share of Results of Associates and Joint Ventures

	2007 US$m	2006 US$m
By business:		
Hongkong Land	**1,342**	856
Dairy Farm	**30**	28
Mandarin Oriental	**23**	13
Jardine Cycle & Carriage	**9**	3
Astra	**116**	151
Corporate and other interests	**6**	26
	1,526	1,077
Share of results of associates and joint ventures included the following gains/(losses) from non-trading items:		
Increase in fair value of investment properties	**1,173**	751
Asset impairment	**(70)**	–
Sale and closure of businesses	**(10)**	(4)
Sale of investments	**2**	2
Sale of property interests	**4**	–
Discount on increased interest in an associate	**2**	–
Other	**–**	(2)
	1,101	747

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

9 Tax

	2007 US$m	2006 US$m
Current tax	**(382)**	(276)
Deferred tax	**(10)**	10
	(392)	(266)
Greater China	**(29)**	(26)
Southeast Asia	**(339)**	(201)
United Kingdom	**(5)**	(4)
Rest of the world	**(19)**	(35)
	(392)	(266)
Reconciliation between tax expense and tax at the applicable tax rate:		
Tax at applicable tax rate	**(359)**	(234)
Income not subject to tax	**15**	12
Expenses not deductible for tax purposes	**(36)**	(19)
Tax losses and temporary differences not recognized	**(11)**	(9)
Utilization of previously unrecognized tax losses and temporary differences	**7**	4
Recognition of previously unrecognized tax losses and temporary differences	**2**	4
Deferred tax assets written off	**–**	(1)
Deferred tax liabilities written back	**–**	1
Over provision in prior years	**2**	–
Withholding tax	**(15)**	(22)
Changes in tax rates	**1**	–
Other	**2**	(2)
	(392)	(266)

The applicable tax rate for the year was 25.9% *(2006: 27.5%)* and represents the weighted average of the rates of taxation prevailing in the territories in which the Group operates. The decrease in the applicable tax rate is caused by a change in the profitability of the Group's subsidiary undertakings in the respective territories.

Share of tax of Jardine Matheson of US$34 million *(2006: US$27 million)* and of associates and joint ventures of US$307 million *(2006: US$248 million)* are included in share of results of Jardine Matheson and share of results of associates and joint ventures respectively.

10 Earnings per Share

Basic earnings per share are calculated on profit attributable to shareholders of US$2,024 million *(2006: US$1,412 million)* and on the weighted average number of 618 million *(2006: 614 million)* shares in issue during the year *(refer note 1(v))*.

Diluted earnings per share are calculated on profit attributable to shareholders of US$1,973 million *(2006: US$1,381 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 *(refer note 1(v))*.

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

	Ordinary shares in millions 2007	2006
Weighted average number of shares in issue	**1,077**	1,063
Company's share of shares held by Jardine Matheson	**(459)**	(449)
Weighted average number of shares for earnings per share calculation	**618**	614

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:

	2007 US$m	Basic earnings per share US$	Diluted earnings per share US$	2006 US$m	Basic earnings per share US$	Diluted earnings per share US$
Profit attributable to shareholders	**2,024**	**3.28**	**3.19**	1,412	2.30	2.25
Non-trading items *(refer note 11)*	**(1,301)**			(890)		
Underlying profit attributable to shareholders	**723**	**1.17**	**1.17**	522	0.85	0.85

11 Non-trading Items

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

	2007 US$m	2006 US$m
Increase in fair value of investment properties		
– Hongkong Land	1,173	751
– Jardine Matheson	38	37
– other	–	2
	1,211	790
Increase in fair value of plantations	6	4
Asset impairment		
– Mandarin Oriental, Kuala Lumpur	4	–
– motorcycle franchise rights	(24)	–
	(20)	–
Sale and closure of businesses		
– Appleyard Vehicle Contracts	–	21
– 25% interest in Mandarin Oriental, New York	12	–
– The Mark	–	26
– motor operations	–	2
– insurance broking	–	(5)
– other	(7)	2
	5	46
Sale of investments	71	48
Sale of property interests	5	3
Pension curtailment	–	7
Restructuring of businesses		
– SIACI in Jardine Lloyd Thompson	10	–
– other	(5)	(5)
	5	(5)
Realization of exchange gains*	10	–
Discount on acquisitions	4	–
Value added tax recovery in Jardine Motors Group	5	–
Other	(1)	(3)
	1,301	890

*Arising on repatriation of capital from a foreign subsidiary undertaking and from a foreign subsidiary undertaking in Jardine Matheson.

12 Intangible Assets

	Goodwill US$m	Franchise rights US$m	Land use rights US$m	Other US$m	Total US$m
2007					
Cost	683	234	853	12	**1,782**
Amortization and impairment	(1)	–	(39)	(1)	**(41)**
Net book value at 1st January	682	234	814	11	**1,741**
Exchange differences	(7)	(10)	(16)	–	**(33)**
New subsidiary undertakings	7	–	2	–	**9**
Additions	17	–	30	25	**72**
Disposals	–	–	(4)	–	**(4)**
Transfer to investment properties	–	–	(1)	–	**(1)**
Amortization	–	–	(17)	(5)	**(22)**
Classified as non-current assets held for sale	–	–	(3)	–	**(3)**
Net book value at 31st December	**699**	**224**	**805**	**31**	**1,759**
Cost	700	224	860	37	**1,821**
Amortization and impairment	(1)	–	(55)	(6)	**(62)**
	699	**224**	**805**	**31**	**1,759**
2006					
Cost	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	9	–	6	–	15
Additions	34	–	17	4	55
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

12 Intangible Assets *(continued)*

	2007 US$m	2006 US$m
Goodwill allocation by business:		
Dairy Farm	**399**	391
Mandarin Oriental	**23**	23
Astra	**277**	268
	699	682

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

Additions of goodwill related to increase in attributable interests in subsidiary undertakings.

Goodwill relating to Dairy Farm is allocated to its individual cash-generating units identified by business or geographical segments. Cash flow projections for impairment reviews are based on budgets prepared on the basis of assumptions reflective of the prevailing market conditions, and are discounted appropriately. Key assumptions used for value-in-use calculations include budgeted gross margins of between 22% and 50% and growth rates of up to 5% 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 23% applied to the cash flow projections. The discount rates used reflect business specific risks relating to the relevant industry, business life-cycle and geographical location. On the basis of these reviews, management concluded that no impairment is required.

Goodwill relating to Astra has not been allocated to its individual cash-generating units. For the purpose of impairment review, the carrying value of Astra is compared with its quoted market value. On the basis of this review and the continued expected level of profitability, management concluded that no impairment is required.

Franchise rights are rights under franchise agreements with automobile and heavy equipment manufacturers. These franchise agreements are deemed to have indefinite lives because either they do not have any term of expiry or their renewal would be probable and would not involve significant costs, taking into account the history of renewal and the relationships between the franchisee and the contracting parties. The carrying amounts of franchise rights, which comprised automotive of US$81 million and heavy equipment of US$143 million, are not amortized as such rights will contribute cash flows for an indefinite period. Management has performed an impairment review of the carrying amounts of franchise rights at 31st December 2007 and has concluded that no impairment is required. The impairment review was made by comparing the carrying amounts of the cash-generating units in which the franchise rights reside with the recoverable amounts of the cash-generating units. The recoverable amounts of the cash-generating units are determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on budgets covering a three-year period. Cash flows beyond the three-year period are extrapolated using growth rates of between 3% and 4%. Pre-tax discount rates of between 23% and 25%, reflecting business specific risks, are applied to the cash flow projections.

At 31st December 2007, the carrying amount of land use rights pledged as security for borrowings amounted to US$186 million *(2006: US$197 million) (refer note 31)*.

The amortization charges are included in net operating costs in the consolidated profit and loss account.

13 Tangible Assets

	Freehold properties US$m	Leasehold properties US$m	Leasehold improve-ments US$m	Mining properties US$m	Plant & machinery US$m	Furniture, equipment & motor vehicles US$m	Total US$m
2007							
Cost or valuation	553	931	440	–	1,088	892	**3,904**
Depreciation and impairment	(13)	(114)	(259)	–	(388)	(433)	**(1,207)**
Net book value at 1st January	540	817	181	–	700	459	**2,697**
Exchange differences	12	(2)	4	(1)	(16)	(5)	**(8)**
New subsidiary undertakings	–	1	–	–	–	–	**1**
Additions	17	71	65	48	223	199	**623**
Disposals	–	(3)	(3)	–	(12)	(17)	**(35)**
Depreciation charge	(4)	(49)	(44)	(13)	(180)	(138)	**(428)**
Impairment charge	–	–	–	–	–	(2)	**(2)**
Net revaluation surplus	71	25	–	–	–	–	**96**
Classified as non-current assets held for sale	(31)	(1)	–	–	–	–	**(32)**
Net book value at 31st December	**605**	**859**	**203**	**34**	**715**	**496**	**2,912**
Cost or valuation	621	1,017	492	47	1,231	1,003	**4,411**
Depreciation and impairment	(16)	(158)	(289)	(13)	(516)	(507)	**(1,499)**
	605	**859**	**203**	**34**	**715**	**496**	**2,912**
2006							
Cost or valuation	458	722	359	–	830	752	3,121
Depreciation and impairment	(11)	(74)	(229)	–	(272)	(352)	(938)
Net book value at 1st January	447	648	130	–	558	400	2,183
Exchange differences	33	45	13	–	40	29	160
New subsidiary undertakings	–	1	2	–	8	3	14
Additions	16	153	80	–	280	169	698
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	817	181	–	700	459	2,697
Cost or valuation	553	931	440	–	1,088	892	3,904
Depreciation and impairment	(13)	(114)	(259)	–	(388)	(433)	(1,207)
	540	817	181	–	700	459	2,697

13 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. Management has reviewed the carrying value at 31st December 2007 and, as a result, deficits on individual properties below depreciated cost of US$4 million *(2006: US$1 million)* have been charged to the consolidated profit and loss account and a net surplus of US$100 million *(2006: US$72 million)* has been taken directly to asset revaluation reserves. The amount attributable to the Group, after tax and minority interests, are US$2 million and US$55 million respectively.

Freehold properties include a hotel property of US$148 million *(2006: US$111 million)*, which is stated net of a grant of US$30 million *(2006: US$31 million)*.

Net book value of plant and machinery acquired under finance leases amounted to US$153 million *(2006: US$170 million)*.

At 31st December 2007, the carrying amount of tangible assets pledged as security for borrowings amounted to US$1,330 million *(2006: US$1,244 million) (refer note 31)*.

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$1,209 million *(2006: US$1,173 million)*.

14 Investment Properties

	Freehold properties US$m	Leasehold properties US$m	Total US$m
2007			
At 1st January	4	29	**33**
Exchange differences	–	(1)	**(1)**
Disposals	–	(2)	**(2)**
Transfer from land use rights	–	1	**1**
Net revaluation surplus	–	1	**1**
Classified as non-current assets held for sale	(4)	–	**(4)**
At 31st December	**–**	**28**	**28**
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

15 Plantations

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

	2007 US$m	2006 US$m
Movement in fair value of plantations for the year:		
At 1st January	**460**	383
Exchange differences	**(21)**	33
Additions	**41**	22
Net increase in fair value	**35**	22
At 31st December	**515**	460
Immature plantations	**67**	36
Mature plantations	**448**	424
	515	460

During the year, 3 million *(2006: 3 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$407 million *(2006: US$246 million)*.

The major assumptions used in the valuation of the 179,489 *(2006: 157,841)* hectares of plantation at 31st December are as follows:

	2007	2006
Fresh fruit bunch price per ton (US$)	**81 – 93**	80 – 87
Fresh fruit bunch price inflation (%)	**3**	3
Annual cost inflation (%)	**8**	10
Discount rate (%)	**15**	16

At 31st December 2007, none of the plantations were pledged as security for borrowings. At 31st December 2006, the carrying amount of plantations pledged as security for borrowings amounted to US$54 million *(refer note 31)*.

16 Investment in Jardine Matheson

	2007 US$m	2006 US$m
Share of attributable net assets including own shares held	1,903	1,735
Own shares held *(refer note 29)*	(1,209)	(1,054)
	694	681
Intercompany transactions	(8)	(2)
Share of attributable net assets	686	679
Goodwill on acquisition	276	267
	962	946
Market value	9,139	7,004
Movements of share of attributable net assets for the year:		
At 1st January	679	494
Revaluation of other investments		
– fair value gain	2	34
– transfer to profit and loss on disposals	–	(45)
Defined benefit pension plans		
– actuarial gain	31	20
– deferred tax	(8)	(4)
Net exchange translation differences		
– amount arising in year	9	14
– transfer to profit and loss	(2)	–
Cash flow hedges		
– fair value (loss)/gain	(1)	4
– deferred tax	–	(1)
Share of results after tax and minority interests	189	210
Share of dividends of the Company *(refer note 28)*	79	73
Dividends received	(197)	(147)
Share of employee share options granted	3	3
Change in attributable interests	66	136
Transfer to goodwill	(9)	(33)
Change in own shares held	(155)	(79)
At 31st December	686	679
Movements of goodwill on acquisition for the year:		
Net book value at 1st January	267	234
Additions	9	33
Net book value at 31st December	276	267

17 Associates and Joint Ventures

	2007 US$m	2006 US$m
Listed associates		
– Hongkong Land	**5,543**	4,206
– The Oriental Hotel (Thailand)	**76**	69
– Tunas Ridean	**35**	29
	5,654	4,304
Unlisted associates	**584**	523
	6,238	4,827
Listed joint venture – Bank Permata	**228**	230
Unlisted joint ventures	**938**	975
	1,166	1,205
Share of attributable net assets	**7,404**	6,032
Intercompany transactions	**(5)**	(2)
Goodwill on acquisition	**115**	105
	7,514	6,135
By business:		
Hongkong Land	**5,595**	4,243
Dairy Farm	**121**	115
Mandarin Oriental	**208**	193
Jardine Cycle & Carriage	**35**	63
Astra	**1,305**	1,305
Corporate and other interests	**255**	218
Intercompany transactions	**(5)**	(2)
	7,514	6,135
Market value of listed associates	**5,492**	4,320
Market value of listed joint venture	**326**	332

17 Associates and Joint Ventures *(continued)*

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

	2007 US$m	2006 US$m
Associates		
Total assets	**12,758**	10,704
Total liabilities	**(6,390)**	(5,732)
Total equity	**6,368**	4,972
Attributable to minority interests	**(130)**	(145)
Attributable net assets	**6,238**	4,827
Revenue	**2,104**	1,607
Profit after tax	**1,436**	937
Capital commitments	**901**	773
Contingent liabilities	**35**	39
Joint ventures		
Non-current assets	**1,113**	1,307
Current assets	**2,524**	2,405
Non-current liabilities	**(2,115)**	(2,156)
Current liabilities	**(353)**	(348)
Total equity	**1,169**	1,208
Attributable to minority interests	**(3)**	(3)
Attributable net assets	**1,166**	1,205
Revenue	**2,942**	2,671
Profit after tax	**105**	148
Capital commitments	**78**	31
Contingent liabilities	**30**	156

17 Associates and Joint Ventures *(continued)*

	2007 US$m	2006 US$m
Movements of share of attributable net assets for the year:		
At 1st January	**6,032**	4,670
Revaluation of properties		
– net revaluation surplus	**14**	48
– deferred tax	**(8)**	(17)
Revaluation of other investments		
– fair value (loss)/gain	**(15)**	33
– deferred tax	**7**	(7)
– transfer to profit and loss on disposals	**(1)**	–
Defined benefit pension plans		
– actuarial gain/(loss)	**6**	(5)
– deferred tax	**1**	1
Net exchange translation differences		
– amount arising in year	**1**	129
Cash flow hedges		
– fair value gain/(loss)	**2**	(12)
– deferred tax	**–**	1
– transfer to profit and loss	**2**	4
Share of results after tax and minority interests	**1,526**	1,077
Dividends received	**(203)**	(272)
Acquisitions and change in attributable interest	**101**	405
Disposals	**(51)**	(9)
Classified as non-current assets held for sale	**(7)**	(14)
Discount on acquisition	**(2)**	–
Other	**(1)**	–
At 31st December	**7,404**	6,032
Movements of goodwill on acquisition for the year:		
Net book value at 1st January	**105**	30
Net exchange translation differences	**(1)**	1
Additions	**15**	74
Disposals	**(4)**	–
Net book value at 31st December	**115**	105

18 Other Investments

	2007 US$m	2006 US$m
Available-for-sale financial assets		
Listed securities		
– Asia Commercial Bank	197	77
– Edaran Otomobil Nasional	–	26
– Schindler Holdings	72	69
– The Bank of N.T. Butterfield & Son	62	113
– other	97	67
	428	352
Unlisted securities	287	222
	715	574
Held-to-maturity financial assets		
Listed securities	10	–
	725	574
Non-current	704	572
Current	21	2
	725	574
Analysis by geographical area of operation:		
Greater China	13	14
Southeast Asia	571	373
United Kingdom	1	1
Rest of the world	140	186
	725	574
Movements for the year:		
At 1st January	574	303
Exchange differences	(3)	5
Additions	91	92
Disposals and capital repayments	(115)	(23)
Net revaluation surplus	178	197
At 31st December	725	574

19 Debtors

	2007 US$m	2006 US$m
Consumer financing debtors		
– gross	1,659	1,959
– provision for impairment	(95)	(97)
	1,564	1,862
Financing lease receivables		
– net investment	176	73
– provision for impairment	(4)	(1)
	172	72
Trade debtors		
– third parties	678	559
– associates and joint ventures	38	32
	716	591
– provision for impairment	(33)	(65)
	683	526
Other debtors		
– third parties	514	481
– Jardine Matheson	2	2
– associates and joint ventures	23	27
	539	510
– provision for impairment	(3)	(3)
	536	507
	2,955	2,967
Non-current	998	1,146
Current	1,957	1,821
	2,955	2,967
Analysis by geographical area of operation:		
Greater China	107	101
Southeast Asia	2,774	2,801
United Kingdom	12	12
Rest of the world	62	53
	2,955	2,967
Fair value:		
Consumer financing debtors	1,496	1,945
Financing lease receivables	161	65
Trade debtors	683	526
Other debtors	529	490
	2,869	3,026

19 Debtors *(continued)*

Consumer financing debtors

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

The average loan period is 36 months for motor vehicles and 32 months for motorcycles. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payment are considered indicators that the debtor is impaired. An allowance for impairment is made based on the estimated irrecoverable amount by reference to past default experience. Assets are repossessed if monthly instalments are overdue for 30 days for motor vehicles and 60 days for motorcycles. Management has considered the balances against which collective impairment provision is made as impaired.

Financing lease receivables

An analysis of financing lease receivables is set out below:

	2007 US$m	2006 US$m
Lease receivables	**207**	89
Guaranteed residual value	**57**	26
Security deposits	**(57)**	(26)
Gross investment	**207**	89
Unearned lease income	**(31)**	(16)
Net investment	**176**	73

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

	2007		2006	
	Gross investment US$m	Net investment US$m	Gross investment US$m	Net investment US$m
Within one year	**103**	**83**	45	35
Between one and two years	**73**	**65**	31	26
Between two and five years	**31**	**28**	13	12
	207	**176**	89	73

19 Debtors *(continued)*

Trade debtors

The average credit period on sale of goods and services varies among Group businesses and is not more than 60 days. Before accepting any new customer, individual Group business assesses the potential customer's credit quality and sets credit limits by customer using internal credit scoring systems. These limits and scoring are reviewed periodically.

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

At 31st December 2007, trade debtors of US$34 million *(2006: US$65 million)* were impaired. The amount of the provision was US$33 million *(2006: US$65 million)*. It was assessed that a portion of the debtors is expected to be recovered. The ageing analysis of these trade debtors is as follows:

	2007 US$m	2006 US$m
Below 30 days	**–**	4
Between 31 and 90 days	**1**	4
Over 90 days	**33**	57
	34	65

At 31st December 2007, trade debtors of US$232 million *(2006: US$151 million)* were past due but not impaired. The ageing analysis of these trade debtors is as follows:

	2007 US$m	2006 US$m
Below 30 days	**160**	98
Between 31 and 60 days	**44**	31
Between 61 and 90 days	**16**	10
Over 90 days	**12**	12
	232	151

The risk of trade debtors that are neither past due nor impaired at 31st December 2007 becoming impaired is low as most of the balances have been settled subsequent to the year end.

19 Debtors *(continued)*

Other debtors

Other debtors are further analyzed as follows:

	2007 US$m	2006 US$m
Prepayments	**187**	166
Rental and other deposits	**102**	96
Mezzanine loans	**4**	16
Derivatives financial instruments	**23**	8
Restricted bank balances and deposits *(refer note 23)*	**6**	6
Loans to employees	**23**	24
Amount due from Jardine Matheson	**2**	2
Other amounts due from associates and joint ventures	**21**	25
Repossessed assets of finance companies	**21**	43
Reinsurers' share of estimated losses on insurance contracts	**20**	16
Other	**127**	105
	536	507

Movements on the provision for impairment are as follows:

	Consumer financing debtors		Financing lease receivables		Trade debtors		Other debtors	
	2007 US$m	2006 US$m	2007 US$m	2006 US$m	2007 US$m	2006 US$m	2007 US$m	2006 US$m
At 1st January	**(97)**	(105)	**(1)**	(1)	**(65)**	(33)	**(3)**	(4)
Exchange differences	**4**	(9)	**–**	–	**1**	(4)	**–**	–
Subsidiary undertakings disposed of	**–**	–	**–**	–	**–**	1	**–**	–
Additional provisions	**(88)**	(88)	**(3)**	–	**(4)**	(31)	**–**	–
Unused amounts reversed	**13**	–	**–**	–	**14**	1	**–**	1
Amounts written off	**73**	105	**–**	–	**21**	1	**–**	–
At 31st December	**(95)**	(97)	**(4)**	(1)	**(33)**	(65)	**(3)**	(3)

The mezzanine loans balance at 31st December 2006 included a US$12 million loan provided in respect of the Boston hotel project in Mandarin Oriental. The loan, which bore interest at 13% per annum, was repaid during the year.

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

Repossessed assets of finance companies represent collateral obtained from customers towards settlement of automobile and motorcycle receivables which are in default. The fair value of the collateral held amounted to US$21 million *(2006: US$43 million)*. The finance company is given the right by the customers to sell the repossessed collateral. Any excess of proceeds from the sale over the outstanding receivables is refunded to the customer.

The fair values are estimated using the expected future receipts discounted at market rates ranging from 13% to 34% *(2006: 15% to 32%)* per annum.

At 31st December 2007, the carrying amount of consumer financing debtors, financing lease receivables and trade debtors pledged as security for borrowings amounted to US$618 million, US$98 million and US$5 million *(2006: US$431 million, US$25 million and US$11 million)* respectively *(refer note 31)*.

20 Deferred Tax Assets/(Liabilities)

	Accelerated tax depreciation US$m	Asset revaluation US$m	Losses US$m	Pension plans US$m	Provisions and other temporary differences US$m	Total US$m
2007						
At 1st January	(71)	(427)	14	1	93	**(390)**
Exchange differences	(1)	12	–	–	(3)	**8**
Charged to consolidated profit and loss account	(6)	(8)	1	3	(1)	**(11)**
Charged to equity	–	(10)	–	(3)	(1)	**(14)**
Classified as non-current assets held for sale	–	1	–	–	–	**1**
At 31st December	**(78)**	**(432)**	**15**	**1**	**88**	**(406)**
Deferred tax assets	3	(3)	14	9	79	**102**
Deferred tax liabilities	(81)	(429)	1	(8)	9	**(508)**
	(78)	**(432)**	**15**	**1**	**88**	**(406)**
2006						
At 1st January	(68)	(355)	11	(5)	81	(336)
Exchange differences	(2)	(25)	1	2	1	(23)
New subsidiary undertakings	–	(1)	–	–	–	(1)
Subsidiary undertakings disposed of	(1)	2	–	–	–	1
Credited to consolidated profit and loss account	–	(8)	2	4	11	9
Charged to equity	–	(41)	–	–	–	(41)
Classified as non-current assets held for sale	–	1	–	–	–	1
At 31st December	(71)	(427)	14	1	93	(390)
Deferred tax assets	6	(8)	13	8	76	95
Deferred tax liabilities	(77)	(419)	1	(7)	17	(485)
	(71)	(427)	14	1	93	(390)

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$49 million *(2006: US$46 million)* arising from unused tax losses of US$201 million *(2006: US$186 million)* have not been recognized in the financial statements. Included in the unused tax losses, US$135 million have no expiry date and the balance will expire at various dates up to and including 2014.

Deferred tax liabilities of US$107 million *(2006: US$84 million)* on temporary differences associated with investments in subsidiary undertakings of US$1,067 million *(2006: US$837 million)* have not been recognized as there is no current intention of remitting the retained earnings to the holding companies.

21 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:

	2007 Weighted average %	2006 Weighted average %
Discount rate applied to pension obligations	**7.1**	7.3
Expected return on plan assets	**7.7**	6.6
Future salary increases	**6.2**	6.5

The expected return on plan assets is determined on the basis of long-term average returns on global equities of 7% to 10% per annum and global bonds of 3.5% to 9% 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:

	2007 US$m	2006 US$m
Fair value of plan assets	**328**	285
Present value of funded obligations	**(243)**	(225)
	85	60
Present value of unfunded obligations	**(63)**	(56)
Unrecognized past service cost	**19**	21
Net pension assets	**41**	25
Analysis of net pension assets:		
Pension assets	**107**	89
Pension liabilities	**(66)**	(64)
	41	25

21 Pension Plans *(continued)*

	2007 US$m	2006 US$m
Movements in the fair value of plan assets:		
At 1st January	**285**	243
Exchange differences	**(3)**	3
Expected return on plan assets	**22**	16
Actuarial gains	**24**	25
Contributions from sponsoring companies	**13**	9
Contributions from plan members	**2**	2
Benefits paid	**(15)**	(13)
Curtailment and settlement	**–**	(1)
Transfer from other plans	**–**	1
At 31st December	**328**	285
Movements in the present value of obligations:		
At 1st January	**(281)**	(229)
Exchange differences	**6**	(8)
New subsidiary undertakings	**(1)**	(1)
Current service cost	**(24)**	(21)
Interest cost	**(19)**	(18)
Gain on curtailment and settlement	**–**	1
Past service cost	**(2)**	–
Contributions from plan members	**(2)**	(2)
Actuarial losses	**(2)**	(18)
Benefits paid	**15**	13
Curtailment and settlement	**–**	1
Settlement of unfunded obligations	**4**	2
Transfer from other plans	**–**	(1)
At 31st December	**(306)**	(281)

21 Pension Plans *(continued)*

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

	2007 US$m	2006 US$m
Equity instruments	**204**	185
Debt instruments	**99**	74
Other assets	**25**	26
	328	285

The five year history of experience adjustments is as follows:

	2007 US$m	2006 US$m	2005 US$m	2004 US$m	2003 US$m
Fair value of plan assets	**328**	285	243	190	167
Present value of obligations	**(306)**	(281)	(229)	(127)	(121)
Surplus	**22**	4	14	63	46
Experience adjustments on plan assets	**23**	23	20	12	28
Percentage of plan assets (%)	***7***	*8*	*8*	*7*	*17*
Experience adjustments on plan obligations	**3**	–	–	5	9
Percentage of plan obligations (%)	***1***	–	–	*4*	*7*

The estimated amount of contributions expected to be paid to the plans in 2008 is US$24 million.

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

	2007 US$m	2006 US$m
Current service cost	**24**	21
Interest cost	**19**	18
Expected return on plan assets	**(22)**	(16)
Gain on curtailment and settlement	**–**	(1)
Past service cost	**2**	1
	23	23
Actual return on plan assets in the year	**46**	41

The above amounts are included in net operating costs.

22 Stocks and Work in Progress

	2007 US$m	2006 US$m
Finished goods	**1,090**	1,032
Work in progress	**13**	12
Raw materials	**41**	23
Spare parts	**39**	33
Others	**42**	38
	1,225	1,138

At 31st December 2007, the carrying amount of stocks and work in progress pledged as security for borrowings amounted to US$6 million *(2006: US$9 million) (refer note 31)*.

23 Bank Balances and Other Liquid Funds

	2007 US$m	2006 US$m
Deposits with banks and financial institutions	**1,186**	917
Bank balances	**344**	335
Cash balances	**66**	72
	1,596	1,324
Less restricted bank balances and deposits *(refer note 19)*	**(6)**	(6)
	1,590	1,318
Analysis by geographical area of operation:		
Greater China	**54**	64
Southeast Asia	**757**	618
United Kingdom	**21**	5
Rest of the world	**758**	631
	1,590	1,318

The weighted average interest rate on deposits with banks and financial institutions is 5.0% *(2006: 4.7%)* per annum.

24 Non-current Assets Classified as Held for Sale

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

	2007 US$m	2006 US$m
Tangible assets	**34**	–
Investment properties	**2**	2
Associates and joint ventures	**7**	14
Non-current debtors	**–**	31
Current assets	**–**	9
Total assets	**43**	56

At 31st December 2007, the non-current assets classified as held for sale include Dairy Farm's interest in a retail property in Malaysia with a carrying value of US$33 million and its 50% interest in a joint venture in Korea with a carrying value of US$7 million. The sale of the property is expected to be completed in 2008 at an amount not materially different from the carrying value. The sale of the joint venture interest was completed in February 2008 and resulted in a profit before tax of approximately US$14 million.

At 31st December 2006, the non-current assets classified as held for sale principally related to Mandarin Oriental's 25% interest in Mandarin Oriental, New York of US$14 million and its mezzanine loan to the hotel of US$40 million. The sale was completed in March 2007 resulting in a profit before tax of US$25 million, which was included in other operating income.

25 Share Capital

	2007 US$m	2006 US$m
Authorized:		
1,500,000,000 shares of US¢5 each	**75**	75
1,000,000 shares of US$800 each	**800**	800
	875	875

	Ordinary shares in millions			
	2007	2006	2007 US$m	2006 US$m
Issued and fully paid shares of US¢5 each:				
At 1st January	**1,072**	1,059	**54**	53
Scrip issued in lieu of dividends	**11**	13	**–**	1
At 31st December	**1,083**	1,072	**54**	54

26 Share Premium and Capital Reserves

	Share premium US$m	Capital reserves US$m	Total US$m
2007			
At 1st January	1,210	115	**1,325**
Value of employee services under share option schemes	–	6	**6**
At 31st December	**1,210**	**121**	**1,331**
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

Capital reserves include US$104 million *(2006: 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.

27 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
2007						
At 1st January	6,653	304	344	(9)	10	**7,302**
Revaluation of properties						
– net revaluation surplus	–	–	63	–	–	**63**
– deferred tax	–	–	(22)	–	–	**(22)**
Revaluation of other investments						
– fair value gain	176	–	–	–	–	**176**
– deferred tax	23	–	–	–	–	**23**
– transfer to profit and loss on disposals	(59)	–	–	–	–	**(59)**
Defined benefit pension plans						
– actuarial gain	55	–	–	–	–	**55**
– deferred tax	(10)	–	–	–	–	**(10)**
Net exchange translation differences						
– amount arising in year	–	–	–	–	19	**19**
– transfer to profit and loss	–	–	–	–	(7)	**(7)**
Cash flow hedges						
– fair value loss	–	–	–	(3)	–	**(3)**
– deferred tax	–	–	–	2	–	**2**
– transfer to profit and loss	–	–	–	2	–	**2**
Profit attributable to shareholders	2,024	–	–	–	–	**2,024**
Dividends *(refer note 28)*	(107)	–	–	–	–	**(107)**
Scrip issued in lieu of dividends *(refer note 28)*	153	–	–	–	–	**153**
Transfer	1	–	(1)	–	–	**–**
At 31st December	**8,909**	**304**	**384**	**(8)**	**22**	**9,611**
of which:						
Company	2,739	304	–	–	–	**3,043**
Associates and joint ventures	4,664	–	63	2	75	**4,804**

27 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
2006						
At 1st January	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	–	–	–	–	248
– deferred tax	(22)	–	–	–	–	(22)
– transfer to profit and loss on disposals	(45)	–	–	–	–	(45)
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	–	–	–	–	(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 28)*	(100)	–	–	–	–	(100)
Scrip issued in lieu of dividends *(refer note 28)*	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

Revenue reserves include unrealized net surplus on revaluation of available-for-sale investments of US$489 million *(2006: US$349 million)*, and actuarial gain on defined benefit pension plans of US$17 million *(2006: loss of US$28 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.

28 Dividends

	2007 US$m	2006 US$m
Final dividend in respect of 2006 of US¢11.70 *(2005: US¢11.00)* per share	**125**	116
Interim dividend in respect of 2007 of US¢5.60 *(2006: US¢5.30)* per share	**61**	57
	186	173
Company's share of dividends paid on the shares held by Jardine Matheson	**(79)**	(73)
	107	100
Shareholders elected to receive scrip in respect of the following:		
Final dividend in respect of previous year	**103**	98
Interim dividend in respect of current year	**50**	49
	153	147

A final dividend in respect of 2007 of US¢12.40 *(2006: US¢11.70)* per share amounting to a total of US$134 million *(2006: US$125 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$58 million *(2006: US$53 million)* will be accounted for as an appropriation of revenue reserves in the year ending 31st December 2008.

29 Own Shares Held

Own shares held of US$1,209 million *(2006: US$1,054 million)* represent the Company's share of the cost of 875 million *(2006: 855 million)* ordinary shares in the Company held by Jardine Matheson and are deducted in arriving at shareholders' funds.

30 Minority Interests

	2007 US$m	2006 US$m
By business:		
Dairy Farm	**55**	76
Mandarin Oriental	**319**	271
Jardine Cycle & Carriage	**101**	63
Astra	**3,056**	2,773
	3,531	3,183
Movements for the year:		
At 1st January	**3,183**	2,858
Revaluation of properties		
– net revaluation surplus	**51**	52
– deferred tax	**(17)**	(15)
Revaluation of other investments		
– fair value (loss)/gain	**(11)**	16
– deferred tax	**3**	(5)
Defined benefit pension plans		
– actuarial gain/(loss)	**4**	(7)
– deferred tax	**–**	3
Net exchange translation differences		
– amount arising in year	**(114)**	234
– transfer to profit and loss	**3**	2
Cash flow hedges		
– fair value loss	**(4)**	(2)
– deferred tax	**1**	–
Subsidiary undertakings disposed of	**–**	(170)
Attributable profits less dividends	**423**	236
Capital contribution and change in attributable interests	**9**	(19)
At 31st December	**3,531**	3,183

31 Borrowings

	2007 Carrying amount US$m	2007 Fair value US$m	2006 Carrying amount US$m	2006 Fair value US$m
Current				
– bank overdrafts	**42**	**42**	37	37
– other bank advances	**356**	**356**	571	571
– other advances	**–**	**–**	6	6
	398	**398**	614	614
Current portion of long-term borrowings				
– bank loans	**504**	**504**	978	978
– bonds	**186**	**186**	226	225
– finance lease liabilities	**65**	**65**	54	54
– other loans	**152**	**152**	70	70
	907	**907**	1,328	1,327
	1,305	**1,305**	1,942	1,941
Long-term borrowings				
– bank loans	**1,697**	**1,703**	1,866	1,908
– bonds	**515**	**518**	500	521
– finance lease liabilities	**38**	**38**	77	77
– other loans	**141**	**149**	206	207
	2,391	**2,408**	2,649	2,713
	3,696	**3,713**	4,591	4,654

The fair values are based on market prices or are estimated using the expected future payments discounted at market interest rates ranging from 1.5% to 10% *(2006: 4.1% to 11.8%)* per annum. The fair value of current borrowings approximates their carrying amount, as the impact of discounting is not significant.

	2007 US$m	2006 US$m
Secured	**2,099**	1,720
Unsecured	**1,597**	2,871
	3,696	4,591

Secured borrowings at 31st December 2007 included Mandarin Oriental's bank borrowings of US$650 million *(2006: US$574 million)* which were secured against its tangible fixed assets, Astra's bonds of US$388 million *(2006: US$429 million)* which were secured against its various assets as described below and bank borrowings of US$1,061 million *(2006: US$717 million)* which were secured against its various assets.

31 Borrowings *(continued)*

The borrowings are further summarized as follows:

Currency:	Weighted average interest rates %	Fixed rate borrowings Weighted average period outstanding Years	US$m	Floating rate borrowings US$m	Total US$m
2007					
Euro	5.8	0.7	15	–	**15**
Chinese renminbi	5.6	–	–	11	**11**
Hong Kong dollar	4.2	1.3	242	239	**481**
Indonesian rupiah	12.2	1.1	867	418	**1,285**
Japanese yen	3.1	2.6	21	46	**67**
Malaysian ringgit	4.5	1.3	106	150	**256**
New Taiwan dollar	2.9	1.9	30	44	**74**
Singapore dollar	3.2	1.2	17	71	**88**
Swiss franc	4.4	24.8	2	19	**21**
Thailand baht	4.3	–	–	2	**2**
United Kingdom sterling	6.8	6.7	43	127	**170**
United States dollar	7.4	2.3	365	861	**1,226**
			1,708	**1,988**	**3,696**
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	1,145	1,512
			2,238	2,353	4,591

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

31 Borrowings *(continued)*

The remaining contractual maturities of the borrowings, including the contractual interest payments, are analyzed as follows:

	2007 US$m	2006 US$m
Within one year	**1,551**	2,295
Between one and two years	**485**	1,179
Between two and three years	**828**	562
Between three and four years	**677**	826
Between four and five years	**195**	631
Beyond five years	**663**	55
	4,399	5,548

The finance lease liabilities are as follows:

	Minimum lease payments		Present value of finance lease liabilities	
	2007 US$m	2006 US$m	**2007** US$m	2006 US$m
Within one year	**71**	63	**65**	54
Between one and five years	**40**	84	**38**	77
	111	147	**103**	131
Future finance charges on finance leases	**(8)**	(16)		
Present value of finance lease liabilities	**103**	131		
Current			**65**	54
Non-current			**38**	77
			103	131

31 Borrowings *(continued)*

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

	2007		2006	
	Current US$m	Non-current US$m	Current US$m	Non-current US$m
Jardine Strategic guaranteed bonds	–	313	–	297
Astra Sedaya Finance III bonds	–	–	5	–
Astra Sedaya Finance IV bonds	4	–	20	4
Astra Sedaya Finance V bonds	17	–	46	18
Astra Sedaya Finance VI bonds	24	12	40	38
Astra Sedaya Finance VII bonds	20	19	15	42
Astra Sedaya Finance VIII bonds	28	69	–	–
Federal International Finance II bonds	–	–	8	–
Federal International Finance III bonds	–	–	22	–
Federal International Finance IV bonds	–	–	19	–
Federal International Finance V bonds	32	–	26	33
Federal International Finance VI bonds	10	31	20	43
Federal International Finance VII bonds	29	71	–	–
Serasi Autoraya I bonds	10	–	5	12
Astra Graphia I bonds	12	–	–	13
	186	515	226	500

The Jardine Strategic guaranteed bonds with nominal value of US$300 million and bearing interest at 6.375% per annum were issued by a wholly-owned subsidiary undertaking of Jardine Strategic and are guaranteed by Jardine Strategic. The bonds will mature on 8th November 2011.

The Astra Sedaya Finance IV, V, VI, VII and VIII bonds, with nominal values of Rp38 billion, Rp200 billion, Rp370 billion, Rp425 billion and Rp1,000 billion, and bearing interest at 12.88%, 11.25%, 10.38% to 11%, 13.63% to 14.2% and 9% to 10.35% per annum 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 19)*. The bonds will mature in 2008, 2008, from 2008 to 2010, from 2008 to 2009 and from 2008 to 2011 respectively.

The Federal International Finance V, VI and VII bonds, with nominal values of Rp300 billion, Rp400 billion and Rp1,000 billion, and bearing interest at 10.75%, 14.5% to 14.75% and 9.75% to 10.75% per annum respectively were issued by a wholly-owned subsidiary undertaking of Astra and are collateralized by fiduciary guarantee over consumer financing debtors of the subsidiary undertaking up to 80% of the total principal of the bonds *(refer note 19)*. The bonds will mature in 2008, 2009 and 2011 respectively.

The Serasi Autoraya bonds with nominal value of Rp124 billion and bearing interest at 13.88% per annum 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 13)*. The bonds will mature in 2008.

The Astra Graphia I bonds with nominal value of Rp150 billion and bearing interest at 13.38% per annum 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, trade debtors and stocks of the subsidiary undertaking *(refer notes 12, 13, 19 and 22)*. The bonds will mature in 2008.

32 Creditors

	2007 US$m	2006 US$m
Trade creditors		
– third parties	**1,393**	1,187
– associates and joint ventures	**131**	122
	1,524	1,309
Accruals	**763**	608
Amounts due to Jardine Matheson	**15**	12
Other amounts due to associates and joint ventures	**2**	1
Deposits accepted	**142**	84
Interest payable	**27**	30
Gross estimated losses and unearned premiums on insurance contracts	**175**	149
Financial liability on puttable instrument	**42**	45
Factoring liabilities	**2**	15
Other creditors	**31**	27
	2,723	2,280
Derivative financial instruments	**10**	22
	2,733	2,302
Non-current	**63**	100
Current	**2,670**	2,202
	2,733	2,302
Analysis by geographical area of operation:		
Greater China	**724**	663
Southeast Asia	**1,881**	1,521
United Kingdom	**17**	10
Rest of the world	**111**	108
	2,733	2,302

The remaining contractual maturities of creditors, excluding derivative financial instruments, are analyzed as follows:

	2007 US$m	2006 US$m
Within one year	**2,667**	2,187
Between one and two years	**50**	73
Between two and three years	**5**	20
Beyond three years	**1**	3
	2,723	2,283

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 factoring liabilities relate to consumer financing debtors of an equivalent amount which are sold with recourse and continued to be recognized as debtors. The maturity of these liabilities corresponds with the related consumer financing debtors and is not more than five years *(2006: five years)*. The liabilities bear interest at rates ranging from 10.20% to 18.25% *(2006: 10.20% to 18.25%)* per annum.

The fair values of creditors approximate their carrying amounts.

33 Provisions

	Motor vehicle warranties US$m	Closure cost provisions US$m	Obligations under onerous leases US$m	Reinstatement and restoration costs US$m	Statutory employee entitlements US$m	Total US$m
2007						
At 1st January	22	5	1	12	17	**57**
Exchange differences	1	1	–	1	(1)	**2**
Additional provisions	4	6	1	6	4	**21**
Utilized	(6)	(4)	(1)	(2)	–	**(13)**
At 31st December	**21**	**8**	**1**	**17**	**20**	**67**
Non-current	–	–	–	16	18	**34**
Current	21	8	1	1	2	**33**
	21	**8**	**1**	**17**	**20**	**67**
2006						
At 1st January	19	7	1	2	12	41
Exchange differences	2	1	–	1	–	4
Additional provisions	7	3	–	9	5	24
Utilized	(6)	(6)	–	–	–	(12)
At 31st December	22	5	1	12	17	57
Non-current	–	–	–	10	15	25
Current	22	5	1	2	2	32
	22	5	1	12	17	57

	2007 US$m	2006 US$m
Analysis by geographical area of operation:		
Greater China	**5**	5
Southeast Asia	**62**	52
	67	57

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.

34 Notes to Consolidated Cash Flow Statement

(a) Depreciation and amortization	2007 US$m	2006 US$m
By business:		
Dairy Farm	124	111
Mandarin Oriental	39	29
Jardine Cycle & Carriage	9	7
Astra		
– automotive	89	79
– financial services	13	11
– agribusiness	19	16
– heavy equipment	149	116
– other	8	8
	278	230
	450	377

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

(b) Other non-cash items	2007 US$m	2006 US$m
By nature:		
Profit on sale of subsidiary undertakings	–	(87)
Profit on sale of associates and joint ventures	(20)	–
Profit on sale of other investments	(69)	–
Profit on sale of land use rights	(7)	(12)
Profit on sale of tangible assets	(7)	(5)
Loss on sale of repossessed assets	73	104
Increase in fair value of investment properties	(1)	(7)
Increase in fair value of plantations	(35)	(22)
Revaluation of properties	4	1
Impairment of tangible assets	2	3
Impairment of debtors	68	117
Change in provisions	12	11
Write down of stocks and work in progress	6	2
Net foreign exchange losses/(gains)	26	(41)
Discount on acquisition of businesses	(5)	–
Options granted under employee share option schemes	4	2
Scrip dividend from other investments	(1)	(3)
	50	63
By business:		
Dairy Farm	10	10
Mandarin Oriental	(29)	(76)
Jardine Cycle & Carriage	25	(24)
Astra		
– automotive	(7)	(11)
– financial services	160	199
– agribusiness	(32)	(22)
– heavy equipment	(8)	(4)
– other	(1)	(7)
	112	155
Corporate and other interests	(68)	(2)
	50	63

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

(c) Decrease in working capital	2007 US$m	2006 US$m
Increase in properties for sale	–	(29)
(Increase)/decrease in stocks and work in progress	(87)	150
(Increase)/decrease in debtors	(223)	443
Increase in creditors	400	11
Increase in pension obligations	3	7
	93	582

	2007			2006
(d) Purchase of subsidiary undertakings	Book value US$m	Fair value adjustments US$m	Fair value US$m	Fair value US$m
Intangible assets	–	2	2	6
Tangible assets	1	–	1	14
Non-current debtors	1	–	1	–
Current assets	9	–	9	15
Long-term borrowings	–	–	–	(1)
Deferred tax liabilities	–	–	–	(1)
Pension liabilities	(1)	–	(1)	(1)
Current liabilities	(6)	–	(6)	(9)
Net assets acquired	4	2	6	23
Goodwill			2	9
Total consideration			8	32
Adjustment for deferred consideration and carrying value of associates and joint ventures			(4)	(7)
Cash and cash equivalents of subsidiary undertakings acquired			(2)	–
Net cash outflow			2	25
Purchase of shares in Jardine Cycle & Carriage			24	22
			26	47

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

Revenue and operating profit since acquisition in respect of subsidiary undertakings acquired during the year amounted to US$53 million and US$3 million respectively. If the acquisitions had occurred on 1st January 2007, Group revenue and operating profit would have been US$15,352 million and US$1,487 million respectively.

(e) Purchase of associates and joint ventures in 2007 included the Company's increased interest in Hongkong Land of US$104 million. 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.

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

(f) Purchase of other investments included US$61 million *(2006: US$80 million)* for Astra's purchase of securities.

(g) Sale of subsidiary undertakings in 2006 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.

(h) Sale of associates and joint ventures in 2007 included US$71 million from Mandarin Oriental's sale of its 25% interest in Mandarin Oriental, New York, and US$12 million and US$15 million from Jardine Cycle & Carriage's sale of its interests in Ampang Investments and UMF respectively.

(i) Sale of other investments in 2007 included US$54 million from the Company's partial disposal of its interest in The Bank of N.T. Butterfield & Son, US$11 million from disposal of shares in CNAC and US$46 million from a capital distribution from Edaran Otomobil Nasional followed by sale of that investment. Sale of other investments in 2006 included US$27 million from Astra's sale of securities.

(j) Analysis of balances of cash and cash equivalents	**2007** US$m	2006 US$m
Bank balances and other liquid funds including restricted balances *(refer note 23)*	**1,596**	1,324
Bank overdrafts *(refer note 31)*	**(42)**	(37)
	1,554	1,287

35 Derivative Financial Instruments

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

	2007		2006	
	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	1	1	–	3
– interest rate swaps and caps	–	6	5	2
	1	7	5	5
Designated as fair value hedges				
– interest rate swaps	15	–	–	–
Designated as net investment hedges				
– forward foreign exchange contracts	–	–	3	3
Not qualifying as hedges				
– forward foreign exchange contracts	–	–	–	1
– cross currency swaps	7	3	–	13
	7	3	–	14

35 Derivative Financial Instruments *(continued)*

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

	Within one year US$m	Between one and two years US$m	Between two and five years US$m	Beyond five years US$m
2007				
Net settled				
– interest rate swaps and caps	2	2	2	1
Gross settled				
– forward foreign exchange contracts	145	–	–	–
– cross currency swaps	50	110	233	–
	197	**112**	**235**	**1**
2006				
Net settled				
– interest rate swaps	1	–	1	–
Gross settled				
– forward foreign exchange contracts	951	1	–	–
– cross currency swaps	18	56	113	–
	970	57	114	–

Forward foreign exchange contracts

The contract amounts of the outstanding forward foreign exchange contracts at 31st December 2007 were US$145 million *(2006: US$952 million)*.

Foreign currency options and collars

No foreign currency options and collars were outstanding at 31st December 2007. The notional principal amounts of the outstanding foreign currency options and collars at 31st December 2006 were US$21 million.

Interest rate swaps and caps

The notional principal amounts of the outstanding interest rate swap and cap contracts at 31st December 2007 were US$1,131 million *(2006: US$773 million)*.

At 31st December 2007, the fixed interest rates relating to interest rate swaps vary from 1.9% to 11.5% *(2006: 1.3% to 6%)* per annum.

The fair values of interest rate swaps are based on the estimated cash flows discounted at market rates ranging from 1.4% to 8.6% *(2006: 1.7% to 4.2%)* per annum.

Cross currency swaps

The contract amounts of the outstanding cross currency swap contracts at 31st December 2007 were US$333 million *(2006: US$135 million)*.

36 Commitments

	2007 US$m	2006 US$m
Capital commitments:		
Authorized not contracted	**151**	117
Contracted not provided	**75**	74
	226	191
Operating lease commitments:		
Total commitments under operating leases		
– due within one year	**420**	384
– due between one and two years	**304**	263
– due between two and three years	**190**	161
– due between three and four years	**109**	99
– due between four and five years	**81**	78
– due beyond five years	**656**	604
	1,760	1,589

Total future sublease payments receivable relating to the above operating leases amounted to US$36 million *(2006: US$24 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 Contingent Liabilities

Various Group companies are involved in litigation arising in the ordinary course of their respective businesses. Having reviewed outstanding claims and taking into account legal advice received, the Directors are of the opinion that adequate provisions have been made in the financial statements.

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 2007, the Company held a 53% *(2006: 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 2007 received fee income of US$56 million *(2006: US$40 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 2007 amounted to US$2,916 million *(2006: US$2,314 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 2007 amounted to US$331 million *(2006: US$333 million)*.

The Group and Jardine Matheson use Jardine Lloyd Thompson to place certain of their insurance. Brokerage fees and commissions, net of rebates, paid in 2007 to Jardine Lloyd Thompson were US$7 million *(2006: US$4 million)*.

The Group and Jardine Matheson rent property from Hongkong Land. The gross rentals paid to Hongkong Land in 2007 were US$8 million *(2006: US$6 million)*. The Group and Jardine Matheson provide property maintenance and other services to Hongkong Land in 2007 in aggregate amounting to US$15 million *(2006: US$15 million)*.

The Group provides hotel management services to Hongkong Land. Management fee received by the Group in 2007 from Hongkong Land amounted to US$1 million *(2006: US$1 million)*.

The Group manages seven associate and joint venture hotels. Management fee received by the Group in 2007 from these managed hotels amounted to US$16 million *(2006: US$17 million)*.

Bank Permata provides banking services to the Group. The Group's deposits with Bank Permata at 31st December 2007 amounted to US$125 million *(2006: US$138 million)*.

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.

In June 2007, Jardine Matheson disposed of its 50% interest in Colliers Halifax to Hongkong Land for US$22 million.

In October 2007, Jardine Cycle & Carriage disposed of its 40% interest in Ampang Investments, an investment holding company whose principal investment is the Concorde Hotel in Kuala Lumpur, to Hongkong Land for US$12 million.

In December 2007, the Company acquired a number of available-for-sale investments from Jardine Matheson for US$9 million.

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.

Amounts of outstanding balances with Jardine Matheson, and with associates and joint ventures are included in debtors and creditors, as appropriate *(refer notes 19 and 32)*.

Details of Directors' remuneration (being the short-term compensation of the key management personnel) are shown on page 89 under the heading of Directors' Appointment, Retirement, Remuneration and Service Contracts.

39 Post Balance Sheet Events

In February 2008, Dairy Farm disposed of its 50% interest in a joint venture in Korea which resulted in a profit before tax of approximately US$14 million.

In February 2008, United Tractors, a 58%-held subsidiary undertaking of Astra, acquired a 70% interest in a company which holds coal mining rights in Central Kalimantan, Indonesia for US$116 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.

	2007 US$m	2006 US$m
Subsidiary undertakings	**1,983**	1,699
Investment in Jardine Matheson	**886**	842
Associates	**1,458**	1,354
Total assets	**4,327**	3,895
Share capital *(refer note 25)*	**54**	54
Share premium *(refer note 26)*	**1,210**	1,210
Revenue and other reserves *(refer note 27)*	**3,043**	2,616
Shareholders' funds	**4,307**	3,880
Current liabilities	**20**	15
Total equity and liabilities	**4,327**	3,895

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

41 Jardine Strategic Corporate Cash Flow and Net Debt

	2007 US$m	2006 US$m
Dividends receivable		
Subsidiary undertakings	350	134
Jardine Matheson	197	147
Associates	118	95
Other holdings	12	23
	677	399
Less taken in scrip	(117)	(170)
	560	229
Other operating cash flows	(83)	(68)
Cash flows from operating activities	477	161
Investing activities		
Purchase of subsidiary undertakings	(24)	(22)
Purchase of associates	(104)	(289)
Purchase of other investments	(18)	(13)
Sale of subsidiary undertakings	–	163
Sale of other investments	111	–
Cash flows from investing activities	(35)	(161)
Financing activities		
Dividends paid by the Company	(33)	(26)
Cash flows from financing activities	(33)	(26)
Fair value adjustment on 6.375% Guarantee Bonds	(15)	–
Effect of exchange rate changes	(2)	(11)
Net decrease/(increase) in net debt	392	(37)
Net debt at 1st January	(735)	(698)
Net debt at 31st December	(343)	(735)
Represented by:		
Bank balances and other liquid funds	6	6
6.375% Guaranteed Bonds due 2011	(313)	(297)
Other long-term borrowings	(36)	(444)
	(343)	(735)

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 2007 are set out below.

	Country of incorporation	Particulars of issued capital			Attributable interests 2007 %	2006 %	Nature of business
Dairy Farm International Holdings Ltd*	Bermuda	USD	74,832,811	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	**47**	46	Property development & investment, leasing & management
Jardine Cycle & Carriage Ltd*	Singapore	SGD	349,260,506	ordinary	**65**	64	A 50.1% interest in PT Astra International Tbk and motor trading
Jardine Matheson Holdings Ltd#	Bermuda	USD	155,202,581	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**	74	Hotel management & ownership
PT Astra International Tbk*	Indonesia	IDRm	2,024,178	ordinary	**32**	32	Automotive, financial services, agribusiness and heavy equipment
Rothschilds Continuation Holdings AG†	Switzerland	CHF	60,975,765	ordinary	**21**	21	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 2007 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 2007, 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 2008

Five Year Summary

Profit and Loss

	2007 US$m	2006 US$m	2005 US$m	2004 US$m	2003 US$m
Revenue	**15,328**	12,845	8,825	5,793	5,059
Profit/(loss) attributable to shareholders	**2,024**	1,412	1,398	1,122	(13)
Underlying profit attributable to shareholders	**723**	522	475	404	284
Earnings/(loss) per share (US$)	**3.28**	2.30	2.29	1.82	(0.02)
Underlying earnings per share (US$)	**1.17**	0.85	0.78	0.66	0.45
Dividends per share (US¢)	**18.00**	17.00	16.00	15.20	14.50

Balance Sheet

	2007 US$m	2006 US$m	2005 US$m	2004 US$m	2003 US$m
Total assets	**20,586**	18,389	16,488	8,698	7,102
Total liabilities	**(7,268)**	(7,579)	(7,771)	(3,403)	(3,227)
Total equity	**13,318**	10,810	8,717	5,295	3,875
Shareholders' funds	**9,787**	7,627	5,859	4,269	2,965
Net debt (excluding net debt of financial services companies)	**851**	1,769	1,766	1,328	1,436
Net asset value per share* (US$)	**28.22**	19.38	15.50	12.80	8.09

Cash Flow

	2007 US$m	2006 US$m	2005 US$m	2004 US$m	2003 US$m
Cash flows from operating activities	**2,044**	1,813	445	653	605
Cash flows from investing activities	**(569)**	(920)	(150)	(339)	(622)
Net cash flow before financing	**1,475**	893	295	314	(17)
Cash flow per share from operating activities (US$)	**3.32**	2.94	0.73	1.06	0.97

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, 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 81%-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 strategy director and the group general counsel 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 2008 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

Each new Director is appointed by the Board and in accordance with Bye-law 92 of the Company's Bye-laws, each new Director is subject to retirement at the first Annual General Meeting after appointment. Thereafter, the Director will be subject to retirement by rotation pursuant to Bye-law 85 whereby one-third of the Directors retire at the Annual General Meeting each year. These provisions apply to both executive and non-executive Directors, but the requirement to retire by rotation pursuant to Bye-law 85 does not extend to the Chairman or Managing Director.

P.L.A. Jamieson will retire from the Board of the Company at the forthcoming Annual General Meeting to be held on 8th May 2008. Jenkin Hui also retires by rotation at the Annual General Meeting in accordance with Bye-law 85 and, being eligible, offers himself for re-election. Jenkin Hui 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 2007, Directors' fees payable by the Company amounted to US$300,000 *(2006: US$292,500)*. A motion to increase the Directors' fees to US$40,000 each per annum and the fees for the Chairman and Managing Director to US$60,000 each per annum with effect from 1st January 2008 will be proposed at the forthcoming Annual General Meeting.

The Company purchases insurance to cover its Directors against their costs in defending themselves in civil proceedings taken against them in that capacity and in respect of damages resulting from the unsuccessful defence of any proceedings. To the extent permitted by law, the Company also indemnifies its Directors. Neither the insurance nor the indemnity provides cover where the Director has acted fraudulently or dishonestly.

Directors' Responsibilities in respect of the Financial Statements

The Directors are required under the Bermuda Companies Act 1981 to prepare financial statements for each financial year and to present them annually to the Company's shareholders at the Annual General Meeting. The financial statements should present fairly in accordance with International Financial Reporting Standards ('IFRS') the financial position of the Group at the end of the year and the results of its operations and its cash flows for the year then ended. The Directors consider that applicable accounting policies under IFRS, applied on a consistent basis and supported by prudent and reasonable judgments and estimates, have been followed in preparing the financial statements.

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 oversees the implementation of the systems of internal control throughout the Group. The implementation of the systems of internal control within the Group's operating companies is the responsibility of each company's board and its executive management. The effectiveness of these systems is monitored by the internal audit function, which is outside the operating companies, and by a series of audit committees that operate in each major business unit across the Group. The 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 is required to review any reports made under those procedures that are referred to it by the internal audit function.

Prior to completion and announcement of the half-year and year-end results, a review of the Company's financial information and any issues raised in connection with the preparation of the results 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

The Directors of the Company in office on 1st April 2008 had interests (within the meaning of the Disclosure and Transparency Rules ('DTRs') of the Financial Services Authority (the 'FSA') of the United Kingdom) set out below in the ordinary share capital of the Company. These interests included those notified to the Company in respect of the Directors' connected persons (as that term is used in the DTRs in relation to companies incorporated outside the United Kingdom).

A.J.L. Nightingale	16,934
Simon Keswick	7,485
Dr George C.G. Koo	138,868
R.C. Kwok	1,194
Lord Leach of Fairford	55,185

Substantial Shareholders

As a non-UK issuer, the Company is subject to the DTRs pursuant to which a person must notify the Company of the percentage of voting rights attaching to the share capital of the Company that 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%.

The Company has been informed that Jardine Matheson is interested indirectly in 879,964,049 ordinary shares carrying 81.29% of the voting rights attaching to the Company's issued ordinary share capital. Apart from this shareholding, the Company is not aware of any holders of voting rights of 5% or more attaching to the issued ordinary share capital of the Company as at 1st April 2008.

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 2008 Annual General Meeting will be held on 8th May 2008. 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 10th May 2007, 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.

JMH Investments Limited ('JMHI'), a wholly-owned subsidiary of Jardine Matheson, purchased 8,539,012 ordinary shares of the Company for an aggregate consideration of US$123.8 million pursuant to a tender offer launched by Jardine Matheson in August 2007 at a strike price of US$14.50 per ordinary share. The shares purchased represented some 0.79% of the Company's issued ordinary share capital. In addition, during the year JMHI purchased 936,500 ordinary shares of the Company in the market for an aggregate total cost of US$13.6 million. The ordinary shares purchased represented some 0.09% of the Company's issued ordinary share capital. As the Company's interest in Jardine Matheson is over 50%, JMHI is subject to the Company's share repurchase guidelines as agreed with the UK Listing Authority.

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 page 82. 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

2007 full-year results announced	7th March 2008
Share registers closed	24th to 28th March 2008
2007 final dividend scrip election period closes	25th April 2008
Annual General Meeting to be held	8th May 2008
2007 final dividend payable	14th May 2008
2008 half-year results to be announced	1st August 2008*
Share registers to be closed	25th to 29th August 2008*
2008 interim dividend scrip election period closes	26th September 2008*
2008 interim dividend payable	15th October 2008*

**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 for the 2007 final dividend by notifying the United Kingdom transfer agent in writing by 25th April 2008. The sterling equivalent of dividends declared in United States Dollars will be calculated by reference to a rate prevailing on 30th April 2008. Shareholders holding their shares through The Central Depository (Pte) Ltd ('CDP') in Singapore will receive United States Dollars unless they elect, through CDP, to receive Singapore Dollars. Shareholders, including those who hold their shares through CDP, may also elect to receive a scrip alternative to their dividends.

Registrars and Transfer Agent

Shareholders should address all correspondence with regard to their shareholdings or dividends to the appropriate registrar or transfer agent.

Principal Registrar
Jardine Matheson International Services Ltd
P.O. Box HM 1068
Hamilton HM EX
Bermuda

Jersey Branch Registrar
Capita Registrars (Jersey) Ltd
(formerly Capita IRG (Offshore) Ltd)
P.O. Box 532
St Helier, Jersey JE4 5UW
Channel Islands

United Kingdom Transfer Agent
Capita Registrars
The Registry
34 Beckenham Road
Beckenham
Kent BR3 4TU, England

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

Press releases and other financial information can be accessed through the Internet at 'www.jardines.com'.

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
Mandarin Oriental Hotel Group International Ltd	7th Floor 281 Gloucester Road Causeway Bay Hong Kong	Telephone Facsimile Email Website	(852) 2895 9288 (852) 2837 3500 asia-enquiry@mohg.com www.mandarinoriental.com Edouard Ettedgui
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