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Jardine Matheson | Annual Report

2003

Jardines

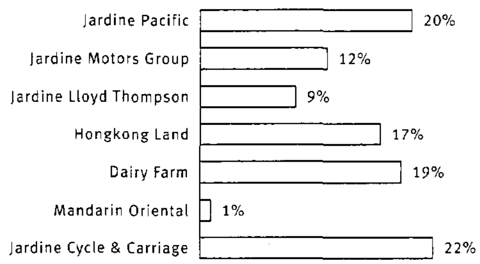
CONTENTS

Jardine Matheson Holdings Limited
Jardine House
Hamilton
Bermuda

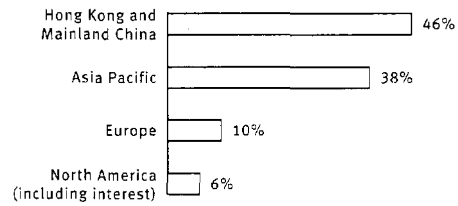
Highlights

Profit Contribution from Core Businesses in 2003*

By Business

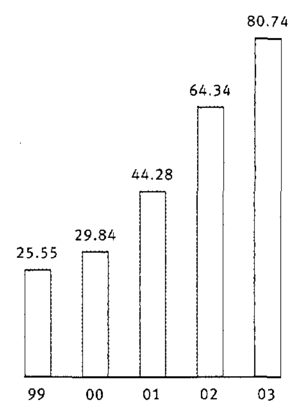


By Geographical Area

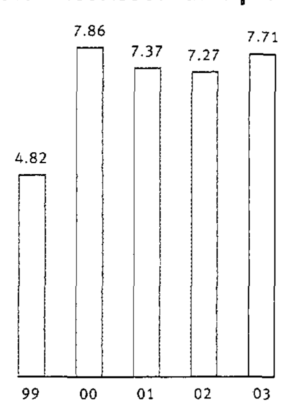


*Excluding non-recurring items, and corporate and other interests

Underlying Earnings per Share (US¢)



Adjusted Net Asset Value per Share (US$)



- Underlying earnings per share up 25%
- Major contribution from Astra through Jardine Cycle & Carriage
- Strong performance at Dairy Farm
- Hongkong Land portfolio values stabilize

- Results

	2003 US$m	Restated 2002 US$m	Change %
Revenue	**8,452**	7,398	*14*
Profit after tax	**181**	273	*(34)*
Underlying profit attributable to shareholders†	**296**	242	*22*
Profit attributable to shareholders	**66**	110	*(40)*
Total equity	**4,085**	4,056	*1*
Adjusted total equity*	**4,330**	4,321	–
Shareholders' funds	**2,682**	2,593	*3*
Adjusted shareholders' funds*	**2,767**	2,679	*3*
	US¢	US¢	%
Underlying earnings per share†	**80.74**	64.34	*25*
Earnings per share	**18.04**	29.40	*(39)*
Dividends per share	**33.00**	30.00	*10*
	US$	US$	%
Net asset value per share	**7.47**	7.04	*6*
Adjusted net asset value per share*	**7.71**	7.27	*6*

† The basis of calculation of underlying profit is set out in note 7 to the financial statements.

*The Group's financial statements are prepared under International Financial Reporting Standards ('IFRS') which do not permit leasehold interests in land, other than in respect of investment properties, to be carried at valuation. This treatment does not reflect the generally accepted accounting practice in the territories in which the Group has significant leasehold interests held for the Group's 'own use', nor how management measures the performance of the Group. Accordingly, the Group has presented adjusted total equity, shareholders' funds and net asset value per share figures which reflect adjustments to the respective IFRS balances so as to take into account the market value of all of the Group's leasehold interests.

Chairman's Statement

An encouraging result was achieved in 2003, although the further decline in Hong Kong property values in the first half was disappointing. Underlying profits grew despite the challenges of SARS, the Iraq war and sluggish demand in a number of our markets.

Performance

Underlying profit rose 22% to US$296 million in 2003. Underlying earnings per share increased 25% to US¢80.74, enhanced by the positive effect of share repurchases.

The Board is recommending an increased final dividend of US¢25.20 per share, which together with the interim dividend of US¢7.80 per share, gives a dividend for the full year of US¢33.00 per share, compared with US¢30.00 per share for the prior year.

Our financial statements are prepared in conformity with International Financial Reporting Standards ('IFRS'), which require the revaluation of investment properties to be taken through the profit and loss account, rather than directly to reserves. For 2003 the negative impact of non-cash movements in the valuation of Hongkong Land's properties of 12% was primarily responsible for the profit attributable to shareholders of US$66 million falling well short of underlying earnings.

Jardine Pacific suffered from lower earnings in its engineering and construction businesses, partly offset by a good performance from its restaurant operations. Jardine Motors Group benefited from a better result in the United Kingdom. Hongkong Land reported a small profit decline as rents remained under pressure. Dairy Farm had a good year, with significant improvements in its supermarkets and health and beauty stores in Hong Kong and its Southeast Asian operations. Despite an improving performance for Mandarin Oriental in the second half and the benefit of a substantial insurance claim in respect of business interruption caused by SARS the group's trading profit was lower, and its net result was reduced further by additional depreciation charges. Jardine Cycle & Carriage's contribution more than doubled, benefiting from another strong performance from its Indonesian affiliate, Astra, as well as increased shareholdings in both companies. Jardine Lloyd Thompson again achieved increased profits.

There has been a significant increase in the overall contribution from Southeast Asia where Jardine Cycle & Carriage, with its major associate Astra, is now a Group subsidiary. Dairy Farm is also active in developing its regional business. The Southeast Asian region now accounts for a third of the Group's underlying earnings, compared with less than 10% three years ago.

Corporate Developments

Over recent years the Group has pursued a policy of focusing its business interests and concentrating on those sectors, primarily in Asia, where it has a competitive advantage stemming from many years of local knowledge.

The Group's operating cash flows remained strong in 2003 and have been supplemented by selective disposals of businesses. This has supported further capital expenditure intended to produce growth over the longer term. Dairy Farm, Hongkong Land and Mandarin Oriental have been active in building their businesses through both new ventures and acquisitions.

Investment continued in Group companies' shares where favourable opportunities arose. As part of the Group's broader strategy, this policy enables the

Group to concentrate resources on its principal businesses as well as improving earnings per share.

Jardine Cycle & Carriage and Astra strengthened their balance sheets through rights issues. Dairy Farm and Cycle & Carriage Bintang, on the other hand, both returned surplus cash to shareholders through special dividends. Advantage was also taken by Group companies of low prevailing interest rates to refinance debt and extend maturities.

People

James Watkins retired from the Board and as Group General Counsel at the end of the year, and I would like to express our appreciation for his service to the Group.

It has been a difficult year for many of those working within our Group companies, who have faced an array of external challenges with skill and resolution. I would like to express my thanks for their achievements, which have made a vital contribution to our good results.

Prospects

Our businesses are focused, soundly financed and trading well. Subject to normal market and economic risks, they should again produce a satisfactory performance this year. We are also hopeful that the stabilization in the capital values of the Group's Hong Kong properties in the second half of 2003 will continue into the present year.

Henry Keswick
Chairman

25th February 2004

Jardine Matheson Group

Jardine Pacific	Jardine Motors Group	Jardine Lloyd Thompson Group plc	Jardine Strategic
Jardine Pacific's select portfolio of businesses represents a significant number of the Group's non-listed interests in the Asia-Pacific region. (100%)	Engaged in the distribution, sales and service of motor vehicles, Jardine Motors Group has operations in Asia, the United Kingdom and the United States. (100%)	A leading listed provider of risk solutions and insurance services, combining specialist skills in the London insurance market with an international network. (32%)	A listed company holding significant Group interests, including 52% of Jardine Matheson, together with smaller stakes in businesses with existing or potential links with the Group. (79%)

(Attributable interests of Jardine Matheson as at 5th March 2004)

Hongkong Land	Dairy Farm	Mandarin Oriental The Hotel Group	Jardine Cycle & Carriage
A major listed group, with some 5 million sq. ft of prime commercial property in the heart of Hong Kong. Hongkong Land also develops high quality property and infrastructure projects in Asia. (42%)	A listed pan-Asian retail group operating 2,570 outlets, including supermarkets, hypermarkets, health and beauty stores, convenience stores, home furnishings stores and restaurants. (78%)	A listed international hotel investment and management group with a portfolio of 24 deluxe and first class hotels worldwide, including six under development. (74%)	A leading Singapore-listed group with interests comprising: a 38% strategic stake in Astra, a leading Indonesian conglomerate; motor trading; and property investment and development. (53%)

(Attributable interests of Jardine Strategic as at 5th March 2004)

With its broad portfolio of market-leading businesses, the Jardine Matheson Group is an Asian-based conglomerate with extensive experience in the region. Its business interests include Jardine Pacific, Jardine Motors Group, Hongkong Land, Dairy Farm, Mandarin Oriental, Jardine Cycle & Carriage and Jardine Lloyd Thompson. These companies are leaders in the fields of engineering and construction, transport services, motor trading, property, retailing, restaurants, hotels and insurance broking.

The Group's strategy is to build its operations into market leaders across Asia Pacific, each with the support of Jardine Matheson's extensive knowledge of the region and its long-standing relationships. Through a balance of cash producing activities and investment in new businesses, the Group aims to produce sustained growth in shareholder value.

Incorporated in Bermuda, Jardine Matheson has its primary share listing in London, with secondary listings in Singapore and Bermuda. Jardine Matheson Limited operates from Hong Kong and provides management services to Group companies, making available senior management and providing financial, legal, human resources and treasury support services throughout the Group.

Managing Director's Review

A Year of Progress

We achieved a good level of growth in 2003 reflecting the quality and mix of our businesses and their geographic spread. The contributions from Hongkong Land, Dairy Farm, Mandarin Oriental and Jardine Cycle & Carriage were also enhanced by increases in the Group's shareholdings.

2003 was not, however, an easy year. The SARS outbreak in Asia was accompanied by the war in Iraq, and Group businesses exposed to the travel, hotel, restaurant and property management sectors had a very difficult second quarter. But as the threats posed by SARS receded, management teams across the Group, particularly in those businesses worst affected, responded with professionalism to the improving commercial environment and much of the lost ground was recovered.

Business Performances

Jardine Pacific's businesses mainly produced lower results as they faced weak markets in Hong Kong. HACTL, however, benefited from the continued strength of manufactured exports from the Pearl River Delta, and the Restaurants operations also performed well. Jardine Schindler had a good year, but the group's other engineering and construction activities experienced a number of poorly performing contracts leading to a disappointing overall result. Jardine Motors Group produced a modest increase in profit as a good contribution from the United Kingdom offset a decline in Hong Kong. This group also benefited from an exceptional gain on the sale of its motor trading activities in Hawaii at the year end.

Hongkong Land's underlying profit declined in the face of a weak Hong Kong office market, although vacancy in its Central portfolio was reduced to 7% by year end. With demand returning office rents have begun to harden, but Hongkong Land's renewal cycle will delay any significant enhancement to earnings. A net revaluation deficit of US$824 million was recorded on its investment portfolio, which was charged to the profit and loss account in accordance with IFRS. The entire decline took place in the first half, with values recovering modestly thereafter. The revised application of the accounting standard on deferred tax has also required Hongkong Land to make a cumulative provision of US$573 million in respect of the group's Hong Kong portfolio, even though no such liability for tax would arise under the current tax regime should there be a property disposal.

Dairy Farm gained momentum in 2003 with increasing profits reflecting strong performances from most of its businesses, although its Hong Kong restaurant joint venture suffered because of a market downturn in the middle of the year.

Mandarin Oriental was severely impacted by the disruption in the international travel market in the first half. Improved performances later in the year and a US$16 million insurance settlement for business interruption were unable to recover fully the lost ground. The result was further reduced by an additional depreciation charge under the revised accounting standards.

There was a good result from Jardine Cycle & Carriage in Southeast Asia with a strong growth in underlying profit. Astra's contribution rose significantly as consumer demand in Indonesia supported an increase in sales in its motor businesses. Improved performances were also achieved in Astra's financing operations and agribusiness.

Jardine Lloyd Thompson achieved further growth in pre-tax profits with higher contributions from both Risk & Insurance and Employee Benefits. The restructuring of its French associate, SIACI, resulted in the receipt of US$52 million, with JLT's shareholding remaining unchanged.

A change to IFRS in 2003 permitting leasehold interests in land to be carried at valuation has enabled the Group to carry its interest in

Hongkong Land's investment properties at full value and to end the recent practice of presenting supplementary financial information in the financial statements. The change did not extend to leasehold interests in land occupied on an 'own-use' basis, and consequently such interests of other Group companies, primarily Mandarin Oriental, were carried at depreciated cost.

Building for the Future

Jardine Cycle & Carriage and Astra

It was an active year for the renamed Jardine Cycle & Carriage. The company strengthened its balance sheet with a US$141 million rights issue, which it used to replace part of the debt incurred in financing its strategic investment in Astra. In addition, it disposed of its under-performing Australian motor businesses.

Astra also raised funds in 2003 with a US$158 million rights issue and US$226 million from the sale of its stake in the Toyota manufacturing operations in Indonesia. These moves restored Astra's balance sheet to financial health and allowed it to resume dividend distributions. Jardine Cycle & Carriage invested US$135 million in supporting Astra's refinancing and in acquiring additional shares through the market, in the process increasing its shareholding from 31% to over 37% by the end of the year. Since Jardine Cycle & Carriage acquired its initial 25% interest in 2000, Astra has become the majority contributor to its profitability.

Astra is one of Indonesia's leading conglomerates with a market capitalization of some US$2 billion. The largest independent automotive group in Southeast Asia, it has a significant share of the markets in Indonesia where it handles Toyota, Daihatsu, Isuzu, BMW, Peugeot and Nissan Diesel in the motor vehicle sector and Honda in motorcycles. It also has interests in agribusiness, heavy equipment, mining, financial services and information technology. While there is still work being undertaken to improve the financial position of some of Astra's affiliates, the group is now on a sound financial footing.

Operational Development

Hongkong Land has begun work on a major renovation of The Landmark, its retail complex in the heart of Hong Kong, which will incorporate a new hotel to be managed by Mandarin Oriental. In Beijing, the second phase of its residential development, Central Park, was launched at the year end following strong demand for the first phase. Its joint venture development in Singapore, One Raffles Quay, is progressing amid signs of stabilization in the office market. In Indonesia the group acquired from Jardine Pacific a 25% interest in the office investment and development company, Jakarta Land.

Dairy Farm's strategy remains focused on the profitable growth of its core areas of operation in Asia. Additional supermarket chains were acquired in Singapore, Malaysia and Indonesia, consolidating Dairy Farm's leading position in these Southeast Asian markets, and a further acquisition was made in Taiwan. The group continued to invest in extensive store expansion programmes across its range of activities in the supermarket, hypermarket, health and beauty and convenience store sectors.

Mandarin Oriental opened its latest luxury hotel in New York in December 2003, and will open its new Washington property in spring 2004. The development of further new hotels remains on schedule with Hong Kong due in 2005, and Tokyo and Boston in 2006. The group has announced that it will manage two new luxury resorts in Thailand and Mexico; it will also manage Mandarin Oriental branded condominiums adjacent to its new hotels in New York and Boston. The benefits of the increasing geographic spread of Mandarin Oriental's portfolio will become more tangible as the group reaches 7,500 rooms under management out of its target of 10,000.

Jardine Lloyd Thompson continues to expand both of its main operating areas of Risk & Insurance and Employee Benefits. During the year further progress was made with the acquisition of teams in property and aviation and the expansion of operations in the United States, most recently with the acquisition of a specialty life, accident and health insurance broking portfolio in December 2003.

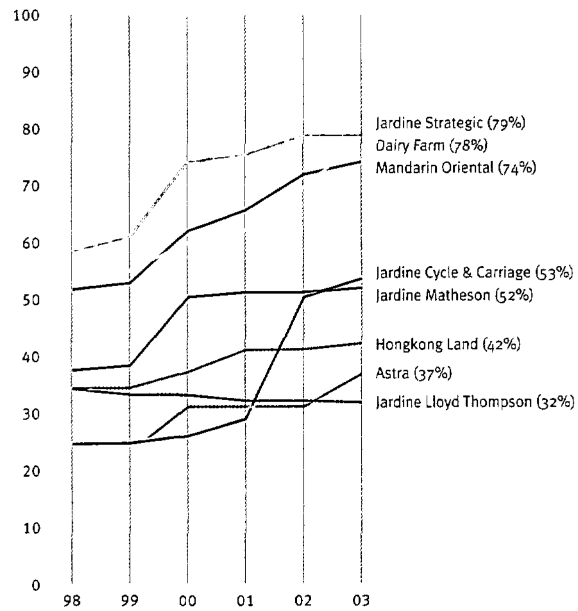
Jardine Pacific reshaped its portfolio further with the sale of a number of its smaller interests in 2003, generating a net non-recurring profit of US$20 million. These included a 20% stake in UMF (Singapore), various wines and spirits interests, a 25% stake in Jakarta Land, 4% of Salmat, Pizza Hut South China, Oliver's Super Sandwiches in Hong Kong, a sugar mill in the Philippines and a number of Hong Kong residential units. It also announced its intention of disposing of its Hawaiian restaurant and engineering operations.

Jardine Motors Group continues to strengthen its key franchise base in the United Kingdom with the acquisition of a major BMW dealership group. In Asia, Zung Fu is broadening its revenue base in Hong Kong with its appointment as the exclusive dealer for Hyundai passenger cars. The group's service centres in Southern China have been expanded to ten locations, forming the basis of a dealership network once regulations permit. The group disposed of its motor interests in Hawaii at the year end.

Investing in Group Shares

The Group has continued to purchase and repurchase shares in line with the strategy of allocating resources to increase stakes in Group companies when this can be accomplished on attractive terms. Dairy Farm repurchased some 10.3% of its share capital in March as part of the process of returning value to shareholders and increasing the efficiency of its balance sheet. Jardine Strategic increased to 53% its interest in Jardine Cycle & Carriage, which has itself increased its stake in Astra to 38%; in both cases by way of market purchases and through supporting rights issues. Further shares were also acquired by Jardine Strategic in Hongkong Land and Mandarin Oriental, while Jardine Matheson repurchased its own shares.

Group Share Interests
(%)



Attributable interests of non wholly-owned affiliates as at 31st December

Prospects

Despite the difficulties of the last 12 months, coming after several years of disruptions in Asia, we were able to achieve a very creditable result in 2003. It is far too early to predict the outcome for the current year, but our businesses are in good shape as we enter 2004. They are leaders in their fields, well financed and run by capable management teams and they have clear and realizable objectives. As such I am confident that we can continue to do well.

Percy Weatherall
Managing Director

25th February 2004

Jardine Pacific

Jardine Pacific represents a significant number of the Group's non-listed interests in the Asia-Pacific region. While encompassing a wide range of industry sectors, Jardine Pacific's select portfolio of businesses comprises highly motivated market leaders, well positioned for growth.

Hactl's new tonnage record in 2003 reinforces its position

In a challenging operating environment Jardine Pacific's underlying net profit in 2003 fell by 8% to US$74 million. Shareholders' funds stood at US$393 million by the end of the year, a reduction of 13%, following the payment of US$163 million in dividends to the parent company. The return on average shareholders' funds, excluding non-recurring items, rose 1% to 18%. Net borrowings at the end of the year stood at US$131 million, giving a gearing of 33%.

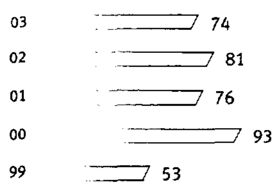
Continuing weakness in the Hong Kong economy in 2003 prompted several units to take the opportunity to restructure, which included realigning themselves with their customers and reducing their cost base. Outside Hong Kong, Jardine Pacific's profitability improved in a number of markets including China, Malaysia, Thailand and Hawaii.

- Gammon Skanska and Jardine Engineering Corporation experience problem contracts
- Record throughput at HACTL
- Portfolio refined through selective disposals
- Cash flow remains strong

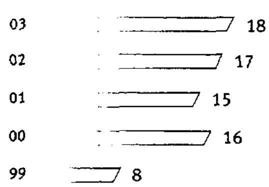
as the world's leading international air cargo terminal operator

The following is summary financial information of Jardine Pacific's larger businesses:

	Underlying profit attributable to shareholders		Shareholders' funds	
	2003 (US$m)	2002 (US$m)	**2003 (US$m)**	2002 (US$m)
EastPoint	**4**	3	**7**	9
Gammon Skanska	**1**	12	**40**	54
HACTL	**22**	23	**103**	102
Jardine Aviation Services	**4**	7	**12**	12
Jardine Engineering Corporation	**4**	8	**64**	60
Jardine OneSolution	**4**	2	**24**	36
Jardine Property Investment	**4**	5	**118**	126
Jardine Restaurants	**12**	8	**7**	11
Jardine Schindler	**12**	11	**23**	21
Jardine Shipping Services	**6**	6	**10**	11
Pacific Finance	**2**	3	**32**	32
Other Interests	**10**	6	**48**	72
	85	94	**488**	546
Corporate	**(11)**	(13)	**(95)**	(94)
	74	81	**393**	452



Underlying Profit Attributable to Shareholders (US$ million)



Return on Average Shareholders' Funds* (%)

* Excluding non-recurring items

HACTL achieved record throughput of just over two million tonnes at Hong Kong's Chek Lap Kok airport. Jardine Aviation Services experienced a strong pick-up in flight frequencies after the very difficult conditions experienced in the first half, while Jardine Shipping Services benefited from firmer shipping rates.

Gammon Skanska faced a slow construction market in Hong Kong and a poorly performing project in Singapore further impacted profits, although an improved order book gives grounds for optimism. Jardine Engineering Corporation's results suffered from a poor Hong Kong market, restructuring costs and a loss in its Caterpillar business in Taiwan, offset in part by strong performances from its joint ventures with Trane and Thorn. Jardine Schindler did well, increasing order intake and expanding its maintenance portfolio across the region, while acquisitions in Korea and Hong Kong have improved future prospects.

Despite a further fall in turnover, earnings in Jardine OneSolution improved, and new initiatives are expected to lead to further growth in 2004. Profits in Jardine Restaurants increased by 46% as the business benefited from improvements in margins and the disposal of loss-making ventures.

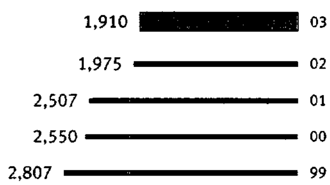
EastPoint maintained earnings despite falling prices in the market. Pacific Finance's lower returns on capital continued due to thin margins and higher levels of doubtful debt provision. Jardine Property Investment's income reduced as a result of a programme to sell non-strategic residential properties, which should be completed in 2004.

Other Interests performed above last year and included dividend income of US$1 million from a 20% stake in BALtrans. Central overheads remained low, while finance costs benefited from low interest rates and debt levels.

Jardine Pacific sold a number of smaller investments during the year including a 20% stake in UMF in Singapore (10% to Jardine Cycle & Carriage), various wines and spirits interests, a 25% interest in Jakarta Land (to Hongkong Land), 4% of Salmat, Pizza Hut South China, Oliver's Super Sandwiches, a sugar mill in the Philippines and a number of Hong Kong residential units. These disposals resulted in a net non-recurring profit of US$20 million. The decision was also taken to dispose of the group's operations in Hawaii, which comprise Pacific Machinery and the Pizza Hut and Taco Bell franchises.

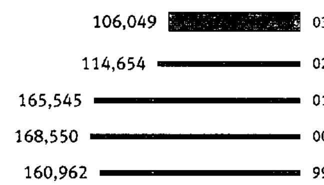
Jardine Motors Group

Jardine Motors Group is engaged in the distribution, sales and service of motor vehicles and in related activities including financing and contract hire. It has operations in Asia, the United Kingdom and the United States.



Revenue (US$ million)

Underlying Profit Attributable to Shareholders (US$ million)



Total Vehicle Sales* (units)

* including associates and joint ventures

ZUNG FU is well-poised to capture a new market segment with the addition

- **Improved performance in the United Kingdom**
- **Lower margins in Hong Kong**
- **Expansion of service network in Southern China**
- **Sale of Hawaii dealerships**

	Revenue		Underlying profit attributable to shareholders		Shareholders' funds	
	2003 (US$m)	2002 (US$m)	**2003 (US$m)**	2002 (US$m)	**2003 (US$m)**	2002 (US$m)
Hong Kong and Mainland China	**281**	250	**22**	34	**85**	81
United Kingdom	**1,231**	1,335	**15**	–	**106**	81
France	**–**	49	**–**	(1)	**–**	–
United States	**398**	341	**6**	5	**34**	17
	1,910	1,975	**43**	38	**225**	179
Corporate and other interests	**–**	–	**(1)**	–	**44**	104
	1,910	1,975	**42**	38	**269**	283

Jardine Motors Group increased its underlying net profit to US$42 million in 2003, a rise of 11% following improved results in the United Kingdom. The group disposed of its interests in Hawaii at the end of the year realizing an additional non-recurring gain of US$11 million.

In Hong Kong, 2003 was the first full year of the new Mercedes-Benz franchise arrangements, and results in Zung Fu reflected the lower margins. Difficult trading conditions and an increase in first registration tax led to a contraction of the new passenger car market, yet Zung Fu was able to achieve a significant increase in its market share supported by a strong order book at the start of the year. In December, the group began the exclusive distribution and service of Hyundai passenger cars in Hong Kong.

In Southern China, the Mercedes-Benz distribution joint venture achieved increased deliveries, but at lower margins, and Zung Fu expanded its service centre network to ten locations. Tunas Ridean, the 34%-held Indonesian associate, also achieved a better result and benefited from a stronger Rupiah.

There was a much improved result in the United Kingdom, helped by reduced restructuring and overhead costs. Lancaster was affected by the costs associated with the mandatory reorganization of the Mercedes-Benz network, but its other dealerships produced good results. Further dealerships, including BMW in North London, have been acquired to strengthen the representation of core franchises. The Polar Motor Group joint venture with Ford also produced an increased contribution. Appleyard Vehicle Contracts, the contract hire joint venture, performed well with improved rental margins and vehicle disposal profits.

In the United States, Beverly Hills made a steady contribution despite margin pressure, while the Hawaiian operations produced an enhanced result prior to their disposal at the year end.

In 2004 Jardine Motors Group will continue to develop its network in Southern China. In the United Kingdom there will be benefits from newly acquired dealerships and further strengthening of the representation of core brands.

of the HYUNDAI

marque to its Hong Kong

PORTFOLIO

	2003 (£m)	2002 (£m)	Change (%)
Turnover	429	389	10
Profit before tax, exceptional items and goodwill amortization	114	102	11
Earnings per share excluding exceptional items (pence)	36.9	34.2	8

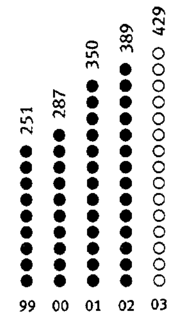
Jardine Lloyd Thompson

Jardine Lloyd Thompson is a leading international provider of risk solutions, insurance services and employee benefits. The listed company combines specialist skills in the London insurance market with an extensive network of offices worldwide.

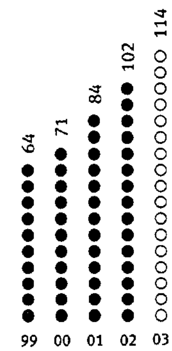
Jardine Lloyd Thompson Asia was named Broker *of* The Year

- Turnover up 10% and trading profit up 16%
- Expansion of United States operations
- Strengthening of property and aviation teams in JLT Risk Solutions
- Good growth in Employee Benefits business

Jardine Lloyd Thompson's turnover increased by 10% in 2003 to £429 million. Trading profit (turnover less operating expenses, excluding exceptional items and goodwill amortization) increased by 16% to £92 million, and profit before tax, exceptional items and goodwill amortization grew by 11% to £114 million based on UK accounting standards. The overall performance once again reflects strong growth across the business and builds upon the achievements in JLT's core businesses in recent years.



Turnover (£ million)



Profit Before Tax, Exceptional Items and Goodwill Amortization (£ million)

In both of the main operating areas of Risk & Insurance and Employee Benefits, good progress was made over the past year. Organic growth was achieved, and further strategic development with the acquisition of teams in property and aviation and the expansion of operations in the United States, most recently with

the acquisition of a specialty life, accident and health insurance broking portfolio in December 2003.

Risk & Insurance produced a satisfactory 12% growth in revenue to £353 million. A solid performance came from Risk Solutions and strong results from JLT's retail businesses in the United Kingdom, Asia, Canada and Australasia. Employee Benefits revenue growth was a modest 2%, rising to £76 million. But underlying growth at constant rates of exchange and excluding the effect of discontinued business was 10%. The business also achieved improved margins through operational efficiencies.

JLT is well positioned to make further progress in 2004 and beyond, although any sustained weakness in the United States dollar will impact its Sterling reported earnings despite a prudent hedging policy. The group will continue with the integration of its new acquisitions and teams and remain alert to any new opportunities to further develop both Risk & Insurance and Employee Benefits.

Hongkong Land

was able to increase the occupancy of its Central portfolio to

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 property and infrastructure projects in Asia.

	2003 (US$m)	2002 (US$m)	Change (%)
Operating profit excluding non-recurring items	**256**	283	(10)
Underlying profit attributable to shareholders	**174**	192	(10)
Adjusted net asset value per share* (US$)	**1.89**	2.23	(15)

*Based on shareholders' funds excluding deferred tax on revaluation surpluses of investment properties.

Hongkong Land's underlying profit declined 10% in 2003 to US$174 million as average rents continued to fall in its Hong Kong office portfolio and were only partly offset by a full year's contribution from Chater House. The office market remained fiercely competitive throughout the year with the addition of significant new space, although the last quarter saw some recovery in sentiment. Hongkong Land did well to achieve an improvement in occupancy, which ended the year at 93%, and its retail portfolio remained close to fully let as increasing consumer spending stimulated demand.

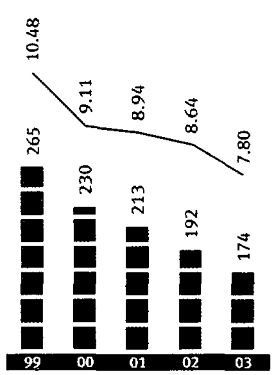
Hongkong Land's investment portfolio recorded a net valuation deficit of US$824 million in 2003. The decline took place in the first half after which values stabilized. The revised application of an accounting standard on deferred tax also led to a cumulative provision of US$573 million being made in respect of the group's Hong Kong portfolio, even though no such liability is expected to arise. These factors led to a 15% fall in net asset value per share.

93%, significantly outperforming the market

The emphasis on building value in its core Hong Kong portfolio continued with the commencement of a major renovation of the Landmark retail complex, which includes the addition of a luxury hotel. Elsewhere, construction at One Raffles Quay in Singapore is progressing amid signs of stabilization in the office market in the city. In Indonesia, Hongkong Land has purchased a 25% stake in Jakarta Land, a premium office investment and development company in central Jakarta. There was also progress in the residential sector with the start of the construction and pre-sale of Phase II of Central Park in Beijing following the success of Phase I. Encouraging sales were also achieved at two residential developments in Hong Kong.

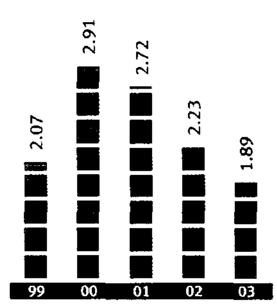
A recovery in office rental levels in Hong Kong should take place as supply begins to tighten and demand returns, but this will take time to work through to Hongkong Land's earnings.

- **Hong Kong office market stabilizes in second half**
- **Central office portfolio vacancy reduced**
- **Major renovation of the Landmark complex underway**
- **Good sales progress in three residential schemes**

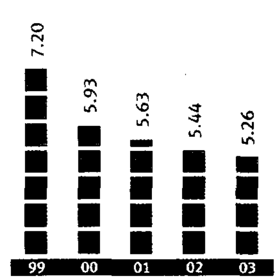


Underlying Profit Attributable to Shareholders (US$ million)

– Underlying Earnings per Share (US¢)



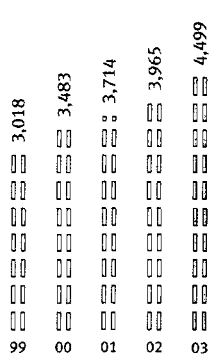
Adjusted Net Asset Value per Share (US$)



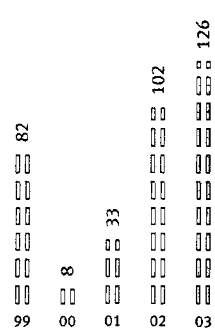
Hong Kong Portfolio Average Office Rent (US$ per sq. ft per month)

Dairy Farm's recent acquisitions in Singapore + Malaysia + Indonesia + Taiwan

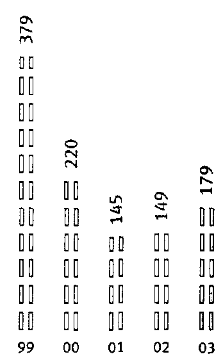
- Underlying earnings per share increase 39%
- Acquisitions in Singapore, Malaysia, Indonesia and Taiwan
- Maxim's results affected by SARS
- Final dividend up 60%, following special dividend of US¢30.00 per share



Sales from Continuing Operations including Associates (US$ million)



Underlying Profit Attributable to Shareholders (US$ million)



Capital Expenditure and Investments (gross) (US$ million)

	2003 (US$m)	2002 (US$m)	Change (%)
Sales from continuing operations including associates	**4,499**	3,965	13
Underlying profit attributable to shareholders	**126**	102	24
Cash flows from operating activities	**269**	286	(6)

further its strategy of building on its

leading positions in existing Asian markets

Dairy Farm, a listed company, is a leading pan-Asian retailer. The group, together with its associates, operates some 2,570 outlets – including supermarkets, hypermarkets, health and beauty stores, convenience stores, home furnishings stores and restaurants.

Dairy Farm performed strongly in 2003 with sales from continuing activities, including associates, increasing 13% to US$4.5 billion and underlying profit rising 24% to US$126 million. The efficiency of Dairy Farm's balance sheet was also improved by the repurchase of 10.3% of its share capital through a tender offer and a special dividend of US¢30.00 per share, returning US$576 million in value to shareholders.

Four significant bolt-on acquisitions were made during the year that increased market share and enhanced productivity in Singapore, Malaysia, Taiwan and Indonesia. These bring to ten the number of acquisitions Dairy Farm has made in the past four years as it pursues a strategy of building a leading market presence in Asia.

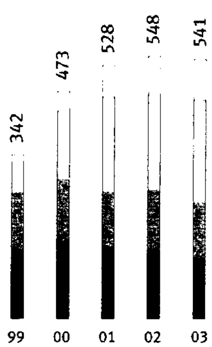
In North Asia, sales increased by 13% while profits grew by 65%. Dairy Farm's Hong Kong operations performed well despite the difficult economic conditions, but the results of its restaurant associate were impacted by the SARS outbreak in the second quarter. The supermarket operation in Taiwan was able to build upon its acquisition to improve profit. In Southern China, the group's convenience store chain continued to expand, ending the year with 150 outlets, and the 50%-owned health and beauty chain in South Korea added seven stores. The IKEA home furnishings business in Hong Kong and Taiwan achieved improved sales.

Dairy Farm's Southeast Asian operations continued to perform strongly, increasing sales by 24% and profits by 48%. Six Giant hypermarkets were opened, continuing the establishment of the group's main growth format in the region. The group also opened 56 health and beauty stores, producing strong returns from this successful format. Indonesia, however, remained a challenging market where further work is required to achieve an acceptable level of returns.

With strong financials and focused operations, Dairy Farm is well placed for further growth in Asia.

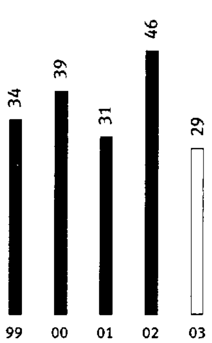
Mandarin Oriental New York opens

Mandarin Oriental is an international hotel investment and management group with a portfolio of 24 deluxe and first class hotels worldwide, including six under development. The listed company holds equity in many of its hotels, which include the newly opened Mandarin Oriental, New York.



Combined Total Revenue by Geographical Area (US$ million)

- Hong Kong & Macau
- Southeast Asia
- North America
- Europe



Profit Before Interest and Tax (US$ million)

The outbreak of SARS, hostilities in Iraq and overall economic uncertainty had a detrimental impact on Mandarin Oriental's results. A profit attributable to shareholders of US$3 million was reported for 2003, compared with US$16 million in the prior year. The results benefited from a US$16 million insurance settlement in respect of business interruption caused by SARS, offset by US$8 million of pre-opening expenses and initial operating losses incurred in respect of its new hotels and additional depreciation charge of US$10 million under revised International Financial Reporting Standards.

	2003 (US$m)	2002 (US$m)	Change (%)
Combined total revenue of hotels under management	**541**	548	(1)
Profit before interest and tax	**29**	46	(37)
Cash flows from operating activities	**28**	34	(16)

its doors as one of the **finest luxury** hotels **in the city**

- SARS severely impacts Asian operations in first half
- Second half recovery boosted by insurance settlement
- Successful opening of Mandarin Oriental, New York

In Hong Kong, results of both Mandarin Oriental and The Excelsior benefited from the insurance settlement which compensated for the sharp decline in business. Contributions from Macau, Kuala Lumpur, Hawaii and Miami all improved due to higher revenues, but were partially offset by weaker performances in Bangkok, Singapore and Geneva due to lower occupancy. There were good performances from Mandarin Oriental, Hyde Park in London, as it achieved higher average room rates, and Munich where the hotel benefited from higher occupancy. Both contributions were enhanced by the strengthening of the local currencies against the United States dollar. In New York, The Mark was adversely affected by weak market conditions.

In an important milestone in its development strategy, Mandarin Oriental's new property in New York opened in December 2003 as one of the city's finest luxury hotels, and a new 400-room hotel will open in Washington D.C. in spring 2004. Further hotels will follow in Hong Kong in 2005, and Tokyo and Boston in 2006. Mandarin Oriental has also announced that it will manage two luxury resorts under development in Thailand and Mexico, and, in a further initiative, the group will manage Mandarin Oriental branded condominiums adjacent to its new hotels in New York and Boston. In a realignment of other interests, it has increased its stake in its Geneva property to 93%.

The current year has started on a firmer footing, and the benefit of Mandarin Oriental's growth strategy will become more tangible as contributions from new hotels in the United States provide a more balanced geographic spread to its portfolio.

Jardine Cycle & Carriage

Jardine Cycle & Carriage is a leading Singapore-listed group with interests comprising: a 38% strategic stake in Astra, a leading Indonesian conglomerate; sales and service of motor vehicles; and property investment and development.

Jardine Cycle & Carriage made good progress in 2003 as underlying profit grew 48% to US$196 million with a strong contribution from Astra. The group's balance sheet was enhanced by a successful US$141 million rights issue and the exit from the Hyundai operations in Australia. Jardine Cycle & Carriage invested a further US$135 million in Astra shares by supporting its rights issue and through market purchases, increasing its stake to over 37% by the end of the year.

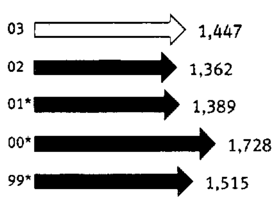
The underlying profit contribution from Astra rose 42% to US$144 million in 2003 as good consumer demand in Indonesia supported increased sales in its motor businesses. Improved performances were also achieved in its financing operations and agribusiness. Astra's US$158 million rights issue in January 2003 and the sale of its Toyota manufacturing operations for US$226 million restored its balance sheet, which has enabled it to recommence the distribution of dividends. United Tractors, Astra's remaining major affiliate in default on its debt, has reached agreement with the majority of its creditors for a financial restructuring, following which it will proceed with a rights issue of at least US$75 million.

The profit contribution from Jardine Cycle & Carriage's motor operations in Singapore was flat, while New Zealand produced good growth in the commercial vehicle sector. Earnings in Cycle & Carriage Bintang, Malaysia, declined due to the loss of the Mercedes-Benz distribution, although a special dividend was paid from surplus funds released on the transfer of distribution stocks to DaimlerChrysler. Overall, underlying earnings increased to US$36 million, supported by the write-back of warranty provisions following withdrawal from under-performing operations in Australia.

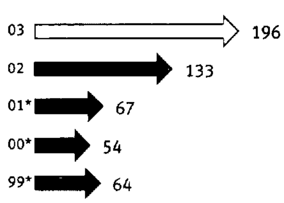
	2003 (US$m)	2002 (US$m)	Change (%)
Revenue	**1,447**	1,362	6
Underlying profit attributable to shareholders	**196**	133	48
Shareholders' funds	**993**	619	61

The underlying profit contribution from property increased by 14% to US$25 million as lower development profits in MCL Land were offset by the release of a provision.

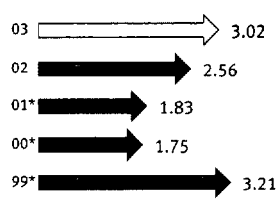
While satisfactory trading performances are expected from Jardine Cycle & Carriage's businesses in 2004, Astra's contribution will reflect the loss of earnings from the Toyota manufacturing operations and the impact of any exchange rate volatility.



Revenue (US$ million)



Underlying Profit Attributable to Shareholders (US$ million)



Net Asset Value per Share (US$)

* Reported under Singapore GAAP

- Record profits achieved by the group
- Balance sheet strengthened by rights issue
- Good progress in Astra:
  - Strong operating performance
  - Net debt reduced by US$374 million to US$346 million
  - Dividend distribution resumed
- Exit from underperforming Australian operations

The ▷ Mindset ◁ philanthropy initiative brings

Contributing to the Community

The Jardine Matheson Group plays an active role in the wider communities in which our businesses operate, and we are proud of the strong tradition of commitment of our people.

Mindset

Since 1982, the Group has been a significant contributor to social welfare causes in Hong Kong through the Jardine Ambassadors Programme, which brings together young and enthusiastic executives from all parts of the Group to engage in community activities. On the 20th Anniversary of the Jardine Ambassadors Programme in 2002, MINDSET was launched in Hong Kong to enhance the effectiveness of the programme as a first step in bringing focus to the Group's philanthropy activities. MINDSET's goal is to make a difference in the area of mental health.

MINDSET has made progress in two areas within the mental health sector, namely Education & Prevention and Re-integration. In collaboration with the Hospital Authority in Hong Kong, the Jardine Ambassadors are working on an in-school education programme known as 'Health In Mind', which aims to increase knowledge and awareness of mental health issues among young people, their parents and teachers, and the public at large, so as to reduce stigmatization on mental illnesses in the community. At the same time, patient support activities have been organized with two specialist hospitals and a number of related agencies in Hong Kong. MINDSET has also supported a number of mental health related projects and NGOs in the form of cash donations. It is also reaching out to Guangdong Province in Southern China, where Group operating companies are providing volunteer services to the Guangdong Special Children Parent Club and are helping with fund raising. (www.mindset.org.hk)

Other Philanthropic Activities

Elsewhere, there were a range of charitable activities in all our businesses. A number of Group companies, including HACTL, Jardine Cycle & Carriage, 7-Eleven Hong Kong and Mannings, were involved in campaigns in support of action against SARS. Jardine Lloyd Thompson Services in New York participated in an overnight walk to raise funds for the American Cancer Society. Cold Storage in Singapore raised funds in its centenary charity gala for the Care Community Services Society to help prisoners and their families. For the sixth year running, Jardine Cycle & Carriage organized the 'Care for the Community' programme to support the transportation needs of three voluntary welfare organizations, including Singapore's Institute of Mental Health. Similarly, in Indonesia, Astra donated vehicles to Ancheh, a war-torn province, through the Indonesian Red Cross, and to the Handicapped Children Foundation to support their daily operational activities.

Providing Expertise

Group executives are active on external management boards and professional, regulatory and advisory bodies where they provide insight, expertise and knowledge. These activities are encouraged, as they contribute to the development of the communities and the business sectors in which the Group operates.

MINDSET is the Jardine Matheson Group's philanthropy initiative intended to make a difference in the area of mental health. Led by the Jardine Ambassadors, the MINDSET programme aims to raise awareness and understanding of mental health issues and provide meaningful support for this sector.

focus to the Jardine Ambassadors Programme through practical support for the mental health sector.

Supporting our People

We support our people with a wide range of management training and development programmes that are offered to all Group companies. A good example is the central recruitment of graduates who attain a Chartered Institute of Management Accountants (CIMA) qualification at the end of their first three years with the Group; an approach that brings a rare balance of management breadth and financial depth, and readies them for leadership positions. Another example is the Director Development Initiative, which provides senior operating managers with the opportunity to meet chief executives from some of the world's most admired companies.

Promoting Responsible Corporate Behaviour

The Group conducts business in a professional, ethical and even-handed manner. Its ethical standards are clearly set out in its Code of Conduct, an important set of guidelines to which every employee must adhere. This Code requires that all Group businesses comply with all laws of general application, all rules and regulations that are industry specific and proper standards of business conduct. It also requires that all managers be fully aware of their obligations under the Code and establish procedures to ensure compliance at all levels within their organizations. The insistence on strict adherence to the Code of Conduct is welcomed by Group employees as it provides clear guidelines within which they can operate.

Encouraging Higher Education

In 2003, a further three students from Hong Kong and Singapore were supported in their studies at Oxford University in the United Kingdom when they received full scholarships from the Jardine Foundation. Scholars are chosen for their academic ability and potential, leadership qualities and community participation. Since its establishment in 1982, the Foundation has granted scholarships to 85 students from Bermuda, Hong Kong, Mainland China, Japan, Malaysia, Singapore and Thailand to enable them to study in Oxford and Cambridge universities. (www.jardine-foundation.org)

Jardine Cycle & Carriage's scholarship for Singapore Management University's students is presented yearly to three outstanding undergraduates from the Faculty of Business Management. Astra, through the Toyota-Astra Foundation, provides education assistance in the form of scholarships and other educational programmes. In 2003, the the Toyota-Astra Foundation, together with Astra, offered more than 7,400 scholarships to students from elementary to post-graduate schools.

Financial Review

Accounting Policies

The Directors continue to review the appropriateness of the accounting policies adopted by the Group having regard to developments in International Financial Reporting Standards ('IFRS').

Following the issue in December 2003 of a number of revised International Accounting Standards, the Group has decided to implement these standards in 2003. This has resulted in the Group changing its accounting policies to measure investment properties held under leases at market value instead of depreciated cost, and to depreciate its hotel buildings based on current residual values and useful economic lives of the components of each building.

As the market value of the Group's investment properties, which represent a significant portion of the Group's leasehold interests in land, is now recognized in the financial statements, comprehensive supplementary financial information described as 'prepared in accordance with IFRS as modified by the revaluation of leasehold properties' is no longer presented within the financial statements. However, the Directors continue to believe that the requirement to carry leasehold properties occupied by businesses at depreciated cost is not appropriate. Accordingly, in determining the Group's gearing and net asset value per share, total equity and shareholders' funds have been adjusted to reflect the market value of those leasehold properties.

Results

Underlying earnings per share increased 25% to US¢80.74 reflecting a 22% increase in underlying profit, and the full year impact of the repurchase of own shares in 2002 and the purchase of a further 2.4% during the year. The overall result was negatively impacted by a deficit on the revaluation of investment properties in Hongkong Land which under IFRS is required to be charged to the consolidated profit and loss account.

Underlying operating profit increased by 48%, mainly due to a significantly improved performance by

Summarized Cash Flow

	2003 US$m	2002 US$m
Operating cash flow of subsidiary undertakings	**461**	385
Dividends from associates and joint ventures	**214**	209
Operating activities	**675**	594
Capital expenditure and investments	**(541)**	(64)
Cash flow before financing	**134**	530

Dairy Farm and a full year's results of Jardine Cycle & Carriage, which became a subsidiary undertaking in November 2002. The Group's share of the underlying results of associates and joint ventures increased by 23% due mainly to a good performance by Astra.

The underlying effective tax rate for the year was 30% compared with 38% in 2002.

The overall profit attributable to shareholders for the year was US$66 million and earnings per share were US¢18.04.

Dividends

The Board is recommending a final dividend of US¢25.20 per share giving a total dividend of US¢33.00 per share for the year. The dividends are payable in cash with a scrip alternative.

Cash Flow

Cash flow from operating activities for the year was an inflow of US$675 million, an improvement of US$81 million on the previous year mainly due to improvements in the operating profit of Dairy Farm and Jardine Cycle & Carriage, and a decrease in working capital. Capital expenditure for the year before disposals amounted to US$761 million and included US$219 million for the purchase of tangible assets, of which US$92 million related to Dairy Farm, and an investment of US$358 million in increasing shareholdings in Group companies.

During the year, the Company repurchased some 2.4% of its own shares through market transactions at a cost of US$119 million.

Asset Valuation

As described above, the Group's share of the deficit arising from the annual professional revaluation of investment properties in Hongkong Land amounted to US$246 million which has been charged to the consolidated profit and loss account. The Group's other properties were also revalued at the year end resulting in an attributable net deficit of US$10 million.

The value of the Group's other investments were remeasured at their fair values at the year end resulting in an attributable net surplus of US$155 million which was recognized directly in reserves.

Audit Committee

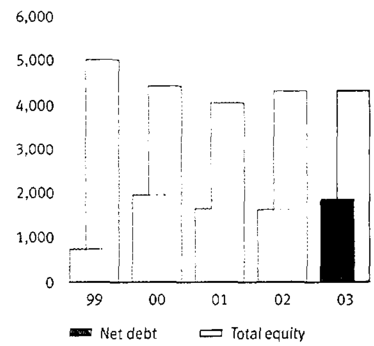
The Audit Committee comprises Simon Keswick (Chairman), R.C. Kwok and C.G.R. Leach.

The Audit Committee receives reports from the external auditors, reviews issues raised with regard to the interim and annual financial statements and receives regular reports from the internal audit department. The Committee reviews the operation and effectiveness of the Group's internal controls and procedures. Jardine Matheson executive Directors and representatives of the internal and external auditors attend the Committee meetings by invitation.

Risk Management and Treasury Activities

The Group manages its exposure to financial risk using a variety of techniques and instruments. The main objectives are to limit exchange and interest rate risks and to provide a degree of certainty about costs. In those businesses with significant net debt, measures are taken to fix the rate of interest paid on a proportion of their borrowings. In respect of overseas acquisitions or expansion, borrowings may be taken in the local currency in order to partially hedge the investment. The investment of the Group's cash resources is managed so as to minimize risk whilst seeking to enhance yield.

Net Debt and Total Equity*
(US$ million)



*Adjusted to take into account the market value of all of the Group's leasehold interests.

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

Funding

At the year end, undrawn committed facilities exceeded US$900 million. In addition, the Group had available liquid funds in excess of US$900 million. Overall, net borrowings increased by US$271 million to US$1,848 million, representing 43% of total equity which has been adjusted to reflect the market value of the Group's leasehold properties occupied by businesses.

Norman Lyle
Group Finance Director

25th February 2004

Directors' Profiles

Henry Keswick
CHAIRMAN

Mr. Henry Keswick joined the Group in 1961 and has been a Director of its holding company since 1967. He is chairman of Matheson & Co. and Jardine Strategic, and a director of Dairy Farm, Hongkong Land and Mandarin Oriental. He is also vice chairman of the Hong Kong Association.

Percy Weatherall
MANAGING DIRECTOR

Mr. Weatherall joined the Board in 1999 and was appointed as Managing Director in 2000. He has been with the Group since 1976 and was previously the chief executive officer of Hongkong Land. He is chairman of Jardine Matheson Ltd, and managing director of Dairy Farm, Hongkong Land, Jardine Strategic and Mandarin Oriental.

Brian Keelan
GROUP STRATEGY DIRECTOR

Mr. Keelan joined the Board in 2001. He had worked for the preceding 25 years as an investment banker in London and New York, the last 12 years at UBS Warburg where he was a board member and managing director of corporate finance. He is also a director of Jardine Matheson Ltd, Dairy Farm, Hongkong Land, Jardine Cycle & Carriage, Jardine Strategic, Mandarin Oriental and MCL Land; and a commissioner of Astra. Mr. Keelan is chairman of the City Disputes Panel in London, of which he has been a director since 1994.

Norman Lyle
GROUP FINANCE DIRECTOR

Mr. Lyle is a Chartered Management Accountant and joined the Board in 1997. He was formerly the general manager, finance of Zeneca Group. He is a director of Jardine Matheson Ltd, Dairy Farm and Jardine Strategic. He is also chairman of the British Chamber of Commerce in Hong Kong.

A.J.L. Nightingale
CHAIRMAN OF JARDINE CYCLE & CARRIAGE, JARDINE MOTORS GROUP, JARDINE PACIFIC AND MCL LAND

Mr. Nightingale joined the Board in 1994 and has been with the Group since 1969. He is chairman of Jardine Cycle & Carriage, Jardine Motors Group, Jardine Pacific and MCL Land. He is also a director of Jardine Matheson Ltd, Cycle & Carriage Bintang and Edaran Otomobil Nasional; and a commissioner of Astra. Mr. Nightingale is the chairman of the Hong Kong General Chamber of Commerce and a council member of the Hong Kong Trade Development Council.

Jenkin Hui

Mr. Hui joined the Board in January 2003. He is a director of Hongkong Land, Jardine Strategic, Central Development and a number of property and investment companies.

Simon Keswick*

Mr. Simon Keswick joined the Group in 1962 and has been a Director of its holding company since 1972. He is a director of Matheson & Co., chairman of Dairy Farm, Hongkong Land and Mandarin Oriental, and a director of Jardine Lloyd Thompson and Jardine Strategic. He is also a director of Hanson and The Fleming Mercantile Investment Trust.

R.C. Kwok* JP

Mr. Kwok was appointed a Director of the Group's holding company in 1972. He is a Chartered Accountant and joined the Group in 1964. He is a director of Jardine Matheson Ltd, Dairy Farm, Hongkong Land, Jardine Strategic and Mandarin Oriental.

C.G.R. Leach*

Mr. Leach joined the Board in 1984 after a career in banking and merchant banking. He is a director of Matheson & Co., deputy chairman of Jardine Lloyd Thompson, and a director of Dairy Farm, Hongkong Land, Jardine Strategic and Mandarin Oriental.

Dr Richard Lee

Dr Lee joined the Board in 1999. Dr Lee's principal business interests are in the manufacturing of textiles and apparel in Southeast Asia, and he is the chairman of TAL Apparel. He is also a director of Hongkong Land and Mandarin Oriental.

*Member of the Audit Committee

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 2003

	Note	2003 US$m	Restated 2002 US$m
Revenue	1	**8,452**	7,398
Cost of sales		**(6,496)**	(5,501)
Gross profit		**1,956**	1,897
Other operating income		**122**	162
Selling and distribution costs		**(1,280)**	(1,243)
Administration expenses		**(445)**	(463)
Other operating expenses		**(71)**	(84)
Net profit on disposal of Woolworths in Dairy Farm	2	**–**	231
Operating profit	3	**282**	500
Net financing charges	4	**(113)**	(117)
Share of results of associates and joint ventures excluding decrease in fair value of investment properties		**390**	274
Decrease in fair value of investment properties		**(315)**	(350)
Share of results of associates and joint ventures	5	**75**	(76)
Profit before tax		**244**	307
Tax	6	**(63)**	(34)
Profit after tax		**181**	273
Profit attributable to shareholders	29	**66**	110
Profit attributable to outside interests		**115**	163
		181	273
		US¢	US¢
Earnings per share	7		
– basic		**18.04**	29.40
– diluted		**17.58**	28.78

Consolidated Balance Sheet

at 31st December 2003

	Note	2003 US$m	Restated 2002 US$m
Net operating assets			
Goodwill	8	**151**	54
Tangible assets	9	**1,521**	1,375
Investment properties	10	**359**	411
Leasehold land payments	11	**484**	467
Associates and joint ventures	12	**2,793**	2,752
Other investments	13	**696**	509
Deferred tax assets	14	**37**	31
Pension assets	15	**79**	89
Other non-current assets	16	**16**	13
Non-current assets		**6,136**	5,701
Properties for sale	17	**340**	285
Stocks and work in progress	18	**832**	894
Debtors and prepayments	19	**603**	784
Current tax assets		**11**	12
Bank balances and other liquid funds	20	**955**	1,273
Current assets		**2,741**	3,248
Creditors and accruals	21	**(1,687)**	(1,721)
Borrowings	22	**(362)**	(580)
Current tax liabilities		**(57)**	(52)
Current provisions	23	**(65)**	(45)
Current liabilities		**(2,171)**	(2,398)
Net current assets		**570**	850
Long-term borrowings	22	**(2,408)**	(2,282)
Deferred tax liabilities	14	**(158)**	(145)
Pension liabilities	15	**(16)**	(13)
Non-current provisions	23	**(12)**	(24)
Other non-current liabilities	24	**(27)**	(31)
		4,085	4,056
Total equity			
Share capital	26	**151**	153
Share premium	28	**2**	–
Revenue and other reserves	29	**3,199**	3,110
Own shares held	31	**(670)**	(670)
Shareholders' funds		**2,682**	2,593
Outside interests	32	**1,403**	1,463
		4,085	4,056

Percy Weatherall
Norman Lyle
Directors

25th February 2004

Consolidated Statement of Changes in Equity

for the year ended 31st December 2003

	Note	2003 US$m	Restated 2002 US$m
At 1st January			
– as previously reported		**3,452**	2,787
– changes in accounting policies		**604**	976
– as restated		**4,056**	3,763
Attributable to outside interests		**(1,463)**	(1,078)
		2,593	2,685
Revaluation of properties			
– net revaluation (deficit)/surplus		**(12)**	22
– deferred tax		**(3)**	(3)
Revaluation of other investments			
– fair value gain/(loss)		**171**	(82)
– transfer on change in attributable interests		**–**	5
– transfer to consolidated profit and loss account on disposal		**(4)**	(234)
– deferred tax		**(1)**	–
Net exchange translation differences			
– amount arising in year		**103**	114
– transfer to consolidated profit and loss account		**14**	64
Cash flow hedges			
– fair value gain/(loss)		**9**	(12)
– transfer to consolidated profit and loss account		**6**	6
Net profit/(loss) recognized directly in equity		**283**	(120)
Profit after tax		**181**	273
Total recognized profit		**464**	153
Attributable to outside interests		**(176)**	(119)
		288	34
Dividends	*30*	**(110)**	(100)
Exercise of share options	*27*	**9**	2
Scrip issued in lieu of dividends	*30*	**22**	21
Repurchase of shares	*26*	**(119)**	(21)
Change in attributable interests	*29*	**(1)**	1
Increase in own shares held		**–**	(29)
At 31st December		**2,682**	2,593
Total equity		**4,085**	4,056
Attributable to outside interests		**(1,403)**	(1,463)
Shareholders' funds		**2,682**	2,593

Consolidated Cash Flow Statement

for the year ended 31st December 2003

	Note	2003 US$m	Restated 2002 US$m
Operating activities			
Operating profit		**282**	500
Depreciation and amortization	*33(a)*	**172**	172
Other non-cash items	*33(b)*	**28**	(257)
Decrease in working capital	*33(c)*	**155**	135
Interest received		**15**	18
Interest and other financing charges paid		**(132)**	(126)
Tax paid		**(59)**	(57)
		461	385
Dividends from associates and joint ventures		**214**	209
Cash flows from operating activities		**675**	594
Investing activities			
Purchase of subsidiary undertakings	*33(d)*	**(338)**	(343)
Purchase of associates and joint ventures	*33(e)*	**(176)**	(68)
Repayment of amounts due to associates and joint ventures		**(78)**	–
Purchase of other investments		**(28)**	(14)
Purchase of tangible assets		**(219)**	(240)
Purchase of investment properties		**–**	(1)
Leasehold land payments		**–**	(1)
Sale of subsidiary undertakings	*33(f)*	**100**	384
Sale of associates and joint ventures	*33(g)*	**51**	5
Sale of other investments	*33(h)*	**56**	174
Sale of tangible assets		**64**	29
Sale of investment properties		**25**	9
Sale of leasehold land		**2**	2
Cash flows from investing activities		**(541)**	(64)
Financing activities			
Issue of shares		**9**	2
Repurchase of shares		**(119)**	(21)
Capital contribution from outside shareholders		**70**	8
Grants received		**4**	29
Drawdown of borrowings		**6,408**	6,488
Repayment of borrowings		**(6,567)**	(6,608)
Dividends paid by the Company		**(69)**	(59)
Dividends paid to outside shareholders		**(173)**	(41)
Cash flows from financing activities		**(437)**	(202)
Effect of exchange rate changes		**(2)**	8
Net (decrease)/increase in cash and cash equivalents		**(305)**	336
Cash and cash equivalents at 1st January		**1,245**	909
Cash and cash equivalents at 31st December	*33(i)*	**940**	1,245

Principal Accounting Policies

Basis of Preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRS'), including International Accounting Standards and Interpretations adopted by the International Accounting Standards Board.

The Group implemented the following revised International Accounting Standards in 2003:

IAS 1	(revised 2003)	Presentation of Financial Statements
IAS 2	(revised 2003)	Inventories
IAS 8	(revised 2003)	Accounting Policies, Changes in Accounting Estimates and Errors
IAS 10	(revised 2003)	Events After the Balance Sheet Date
IAS 16	(revised 2003)	Property, Plant and Equipment
IAS 17	(revised 2003)	Leases
IAS 21	(revised 2003)	The Effects of Changes in Foreign Exchange Rates
IAS 24	(revised 2003)	Related Party Disclosures
IAS 27	(revised 2003)	Consolidated and Separate Financial Statements
IAS 28	(revised 2003)	Investments in Associates
IAS 31	(revised 2003)	Interests in Joint Ventures
IAS 32	(revised 2003)	Financial Instruments: Disclosure and Presentation
IAS 33	(revised 2003)	Earnings Per Share
IAS 39	(revised 2003)	Financial Instruments: Recognition and Measurement
IAS 40	(revised 2003)	Investment Property

The above revised standards are applied in advance of their effective dates.

With the exception of IAS 16 (revised) and IAS 40 (revised), there are no changes in accounting policy that affect profit or shareholders' funds resulting from the adoption of the above standards in these financial statements, as the Group was already following the recognition and measurement principles in those other standards.

The Group has also adopted IAS 41 – Agriculture in 2003. The effect on the current year is to increase profit attributable to shareholders by US$4 million. There has been no impact on profit in the previous year.

The consolidated financial statements are presented in United States Dollars, which is the functional currency of the Company.

The Group's reportable segments are set out in note 1 and are described on page 4 and pages 8 to 23.

Basis of Consolidation

(a) The consolidated financial statements include the financial statements of the Company, its subsidiary undertakings and, on the basis set out in (b) below, its associates and joint ventures. Subsidiary undertakings are companies over which the Company has control. Control is the power to govern the financial and operating policies of the company so as to obtain benefits from its activities. 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. The cost of and related income arising from shares held in the Company by subsidiary undertakings are eliminated from shareholders' funds and outside interests, and profit respectively.

(b) Associates are companies, 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.

(c) Outside interests represent the proportion of the results and net assets of subsidiary undertakings and their associates and joint ventures not attributable to the Group.

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

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

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

Exchange differences arising from the retranslation of the net investment in foreign subsidiary undertakings, associates and joint ventures, and of financial instruments which are designated as and are 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. All other exchange differences are dealt with in the consolidated profit and loss account.

Impairment
Tangible fixed assets and goodwill are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. 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 net selling price and value in use. For the purpose of assessing impairment, assets are grouped at the lowest level for which there are separately identifiable cash flows.

Goodwill
Goodwill represents the difference between the cost of an acquisition and the fair value of the Group's share of the net assets of the acquired subsidiary undertaking, associate or joint venture at the effective date of acquisition. Goodwill on acquisition of a foreign operation after 1st January 2003 is treated as an asset or a liability of the foreign operation. Consequently it is expressed in the functional currency of the foreign operation and is translated into United States Dollars at the rate of exchange ruling at the year end. Goodwill on acquisitions occurring on or after 1st January 1995 is reported in the balance sheet as a separate asset or included within associates and joint ventures, and is amortized using the straight line method over its estimated useful life which is generally between 5 and 20 years. Goodwill on acquisitions which occurred prior to 1st January 1995 was taken directly to reserves. Where an indication of impairment exists, the carrying amount of goodwill is assessed and written down immediately to its recoverable amount.

The profit or loss on disposal of subsidiary undertakings, associates and joint ventures is calculated by reference to the net assets at the date of disposal including the attributable amount of goodwill which remains unamortized but does not include any attributable goodwill previously eliminated against reserves.

Gains or losses arising from dilution of the Group's interest in subsidiary undertakings, associates and joint ventures, in circumstances where the Group took no action to maintain its holding, are recorded as a change in attributable interest in reserves. Such passive dilutions principally arise on the exercise of share options by outside shareholders.

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 open market value cannot be reliably allocated 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 property revaluation reserves except for movements on individual properties below depreciated cost which are dealt with in the consolidated profit and loss account. Grants related to tangible fixed assets are deducted in arriving at the carrying amount of the assets. Other tangible fixed assets are stated at cost less amounts provided for depreciation.

Depreciation is calculated on the straight line basis at annual rates estimated to write down the cost or valuation of each asset to its residual value over its estimated useful life. The residual values and useful lives are reviewed at each balance sheet date. The principal rates in use are as follows:

Buildings	up to $6^2/_3\%$
Leasehold improvements	over period of the lease
Plant and machinery	$5 - 33^1/_3\%$
Furniture, equipment and motor vehicles	$6^2/_3 - 33^1/_3\%$

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

The Group has changed its accounting policy for depreciating hotel properties in accordance with IAS 16 (revised). This revised standard requires all qualifying expenditure to be capitalized and depreciated over the appropriate period whereas the previous standard permitted additional expenditure to be recognized when it was probable that future economic benefits, in excess of the originally assessed standard of performance of the existing asset, would flow to the entity. All other subsequent expenditure was expensed in the period in which it was incurred. The revised standard has also clarified the requirement to separate the carrying value of a building into constituent components. These components are then depreciated separately. Where the carrying amount of a component is greater than its estimated recoverable amount, it is written down immediately or derecognized, as appropriate. Applying these changes constitutes a change in accounting policy which has been applied retrospectively. The costs for surface finishes and services ('SFS') have been identified as a separate component within the cost of buildings as their useful economic lives for depreciation purposes are substantially different from the building core and a retrospective adjustment has been made. The comparative figures for 2002 have been restated to reflect the change in policy *(refer page 40)*.

The Directors have also reviewed and revised the useful economic lives and residual values of the building core of each property, and the resulting change in depreciation is accounted for prospectively from 1st January 2003. The effect on the current year is to decrease profit attributable to shareholders by US$3 million.

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

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

Investment Properties

Investment properties are properties held for long-term rental yields. Investment properties are carried at fair value, representing open market value determined annually by independent qualified valuers. Changes in fair values are recorded in the consolidated profit and loss account. In accordance with IAS 40 (revised), leasehold properties held for long-term rental yields are classified as investment properties and carried at fair value. This is a change in accounting policy as in previous years these properties were carried at depreciated cost. The comparative figures for 2002 have been restated to reflect the change in policy *(refer page 40)*.

Biological Assets

Biological assets included in plantations owned by an associate are measured at each balance sheet date at their fair values, representing the present value of expected net cash flows from the biological assets in their present location and condition determined annually by independent qualified valuers, less estimated point of sale costs. Changes in fair values are recorded in the consolidated profit and loss account.

Investments

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

(b) Liquid investments which are readily convertible to known amounts of cash are included in bank balances and other liquid funds and are stated at market value. Increases or decreases in market value are dealt with in the consolidated profit and loss account.

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

Operating Leases

(a) Leasehold land payments are up-front payments to acquire long-term interests in owner-occupied property. These payments are stated at cost and are amortized over the period of the lease.

(b) Payments made under other operating leases 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.

Properties for Sale

Properties under development are stated at cost plus an appropriate proportion of profit where sales agreements have been concluded, and after deducting progress payments and provisions for foreseeable losses. Profit is established by reference to the percentage of completion. Completed properties are stated at the lower of cost and net realizable value.

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. Contract work in progress is valued 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.

Debtors

Trade debtors are carried at anticipated realizable value. An estimate is made for doubtful debts based on a review of all outstanding amounts at the year end. Bad debts are written off during the year in which they are identified.

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, bank overdrafts are included in borrowings in current liabilities.

Provisions
Provisions are recognized when the Group has present legal or constructive obligations as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligations, and a reliable estimate of the amount of the obligations can be made.

Borrowings and Borrowing Costs
Borrowings are initially stated at the amount of the proceeds received, net of transaction costs incurred. In subsequent periods, borrowings are stated at amortized cost using the effective yield method.

On issue of convertible bonds, 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 or non-current liabilities, as appropriate. Any conversion option component included in non-current liabilities is shown at fair value.

Borrowing costs relating to major development projects are capitalized until the asset is substantially completed. Capitalized borrowing costs are included as part of the cost of the asset. All other borrowing costs are expensed as incurred.

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 values 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 carry forward of unused tax losses are recognized to the extent that it is probable that future taxable profit will be available against which the unused tax losses can be utilized.

Employee Benefits
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 to the extent of the amount in excess of 10% of the greater of the present value of the plan obligations and the fair value of plan assets are recognized in the consolidated profit and loss account over the average remaining service lives of employees.

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.

The Group does not make a charge to staff costs in connection with share options issued by the Company and its subsidiary undertakings under their respective employee share option schemes.

Derivative Financial Instruments

The Group only enters into derivative financial instruments in order to hedge underlying exposures. Derivative financial instruments are initially recognized in the balance sheet at cost and subsequently are 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 on the date a derivative contract is entered into.

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.

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.

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.

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.

Hedges of net investments in foreign entities are accounted for on a similar basis to that used for cash flow hedges. Where the hedging instrument is a derivative, 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. However, where the hedging instrument is not a derivative, all foreign exchange gains and losses arising on the translation of the instrument that hedges such an investment (including any ineffective portion of the hedge) are recognized in exchange reserves.

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 subsidiary undertakings and the shares held by the Trustee under the Senior Executive Share Incentive Schemes. 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 subsidiary undertakings, associates or joint ventures, and the weighted average number of shares is adjusted for the number of shares which are deemed to be issued for no consideration under the Senior Executive Share Incentive Schemes based on the average share price during the year.

Dividends

Dividends proposed or declared after the balance sheet date are not recognized as a liability at the balance sheet date.

Scrip dividends are accounted for as a bonus issue. The nominal amount of the ordinary shares issued as a result of election for scrip is capitalized out of the share premium account or other reserves, as appropriate.

Revenue

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

Pre-operating Costs

Pre-operating costs are expensed as they are incurred.

Effect of Changes in Accounting Policies

The effect of changes in accounting policies on investment properties and depreciation of hotel properties is summarized as follows:

Increase in total equity

	Effect of adopting IAS 16 (revised) US$m	Effect of adopting IAS 40 (revised) US$m	Consequential change to deferred tax US$m	Consequential change to goodwill US$m	Total US$m
At 1st January 2003					
Goodwill	–	–	–	50	50
Tangible assets	(36)	–	–	–	(36)
Investment properties	–	142	–	–	142
Leasehold land payments	–	(17)	–	–	(17)
Associates and joint ventures	(7)	719	(303)	136	545
Deferred tax	–	–	(80)	–	(80)
Total equity	**(43)**	**844**	**(383)**	**186**	**604**
At 1st January 2002					
Goodwill	–	–	–	39	39
Tangible assets	(33)	–	–	–	(33)
Investment properties	–	150	–	–	150
Leasehold land payments	–	(18)	–	–	(18)
Associates and joint ventures	(6)	1,145	(360)	130	909
Deferred tax	–	–	(71)	–	(71)
Total equity	(39)	1,277	(431)	169	976

Decrease in profit attributable to shareholders

	2003 US$m	2002 US$m
Depreciation of SFS	**(3)**	(1)
Change in fair value of investment properties	**(231)**	(232)
Amortization of goodwill	**(9)**	(9)
	(243)	(242)

Notes to the Financial Statements

1 Revenue

	2003 US$m	2002 US$m
By business:		
Jardine Pacific	**1,189**	1,585
Jardine Motors Group	**1,910**	1,975
Dairy Farm	**3,457**	3,354
Mandarin Oriental	**218**	234
Jardine Cycle & Carriage	**1,676**	248
Other activities	**2**	2
	8,452	7,398
By geographical location of customers:		
Australasia	**474**	429
Continental Europe	**12**	60
Hong Kong and Mainland China	**2,929**	2,949
North America	**628**	596
Northeast Asia	**495**	494
Southeast Asia	**2,632**	1,460
United Kingdom	**1,282**	1,410
	8,452	7,398

Jardine Matheson is grouped into seven core companies as described on page 4 and accordingly its primary segment reporting format is business segments with secondary segment information reported geographically.

Jardine Pacific includes a number of business segments. Each business segment contributes less than 10% of the Group's revenue, segment results or assets.

Northeast Asia includes Japan and Taiwan. Southeast Asia includes all other countries in Asia.

Revenue consists primarily of the sale of goods.

2 Net Profit on Disposal of Woolworths in Dairy Farm

In June 2002, Dairy Farm disposed of Woolworths, its New Zealand supermarket business, for US$285 million. The profit attributable to the Group, after tax and outside interests, amounted to US$122 million.

The results and net cash flows of this discontinued operation in 2002 are summarized below:

	2002 US$m
Revenue	367
Cost of sales	(271)
Gross profit	96
Net operating expenses	(79)
Operating profit	17
Net financing charges	(2)
Profit before tax	15
Tax	(4)
Profit after tax	11
Cash flows from operating activities	7
Cash flows from investing activities	(7)
Net cash flows	–

3 Operating Profit

	2003 US$m	2002 US$m
By business:		
Jardine Pacific	**59**	4
Jardine Motors Group	**57**	36
Dairy Farm	**124**	77
Mandarin Oriental	**34**	41
Jardine Cycle & Carriage	**31**	7
	305	165
Discontinued operation – Woolworths in Dairy Farm	**–**	17
Net profit on disposal of Woolworths in Dairy Farm	**–**	231
Corporate and other interests	**(23)**	87
	282	500
The following items have been charged/(credited) in arriving at operating profit:		
Amortization of goodwill on acquisition of subsidiary undertakings	**10**	7
Depreciation of tangible assets	**159**	162
Impairment of tangible assets	**3**	5
Amortization of leasehold land payments	**3**	2
Impairment of leasehold land payments	**–**	1
Reversal of impairment of other investments	**–**	(36)
Operating expenses arising from investment properties	**8**	3
Directors' remuneration *(refer Directors' emoluments on page 84)*	**8**	8
Staff costs		
– salaries and benefits in kind	**806**	819
– defined benefit pension plans *(refer note 15)*	**40**	27
– defined contribution pension plans	**21**	12
	867	858
Operating leases		
– minimum lease payments	**324**	344
– contingent rents	**4**	3
– subleases	**(11)**	(9)
	317	338
Income from other investments	**(29)**	(26)
Rental income		
– investment properties	**(21)**	(7)
– other	**(12)**	(10)
	(33)	(17)
Fair value loss/(gain) on conversion option component of 4.75% Guaranteed Bonds *(refer note 24)*	**2**	(18)

4 Net Financing Charges

	2003 US$m	2002 US$m
Interest expense		
– bank loans and advances	**(64)**	(63)
– bonds and other loans	**(65)**	(64)
	(129)	(127)
Interest income	**16**	19
Fair value gain/(loss) on cash flow hedges	**1**	(6)
Commitment and other fees	**(1)**	(3)
	(113)	(117)

5 Share of Results of Associates and Joint Ventures

	2003 US$m	2002 US$m
By business:		
Jardine Pacific	**53**	68
Jardine Motors Group	**14**	6
Jardine Lloyd Thompson	**32**	31
Hongkong Land	**83**	71
Dairy Farm	**18**	27
Mandarin Oriental	**(1)**	8
Jardine Cycle & Carriage	**191**	63
	390	274
Decrease in fair value of investment properties		
– Hongkong Land	**(314)**	(346)
– other	**(1)**	(4)
	75	(76)

Results are shown after tax and outside interests, and after amortization of goodwill as required by IAS 1 (revised). This represents a change in accounting policy as previously the Group's share of results of associates and joint ventures was stated before tax and outside interests *(refer note 12)*.

6 Tax

	2003 US$m	2002 US$m
Current tax		
– charge for the year	**72**	47
– over provision in prior years	**(8)**	(1)
Deferred tax	**(1)**	(12)
	63	34
By geographical area:		
Australasia	**4**	3
Continental Europe	**1**	–
Hong Kong and Mainland China	**8**	7
North America	**20**	10
Northeast Asia	**5**	3
Southeast Asia	**27**	15
United Kingdom	**(2)**	(4)
	63	34
Reconciliation between tax expense and tax at the applicable tax rate:		
Tax at applicable tax rate	**68**	27
Income not subject to tax	**(25)**	(14)
Expenses not deductible for tax purposes	**32**	29
Tax losses not recognized	**15**	30
Temporary differences not recognized	**5**	2
Utilization of previously unrecognized tax losses	**(14)**	(24)
Utilization of previously unrecognized temporary differences	**(5)**	(3)
Deferred tax assets written off	**–**	1
Deferred tax liabilities written back	**(3)**	–
Recognition of previously unrecognized tax losses	**(11)**	(8)
Recognition of previously unrecognized temporary differences	**(3)**	(1)
Over provision in prior years	**(8)**	(1)
Withholding tax	**4**	3
Changes in tax rates	**6**	(1)
Other	**2**	(6)
	63	34

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

7 Earnings Per Share

Basic earnings per share are calculated on profit attributable to shareholders of US$66 million *(2002: US$110 million)* and on the weighted average number of 367 million *(2002: 375 million)* shares in issue during the year.

Diluted earnings per share are calculated on profit attributable to shareholders of US$65 million *(2002: US$109 million)*, which is after adjusting for the effects of the conversion of dilutive potential ordinary shares of subsidiary undertakings, associates or joint ventures, and on the weighted average number of 369 million *(2002: 378 million)* shares in issue during the year. The number of shares for basic and diluted earnings per share is reconciled as follows:

	Ordinary shares in millions 2003	2002
Weighted average number of shares in issue	**367**	375
Adjustment for shares deemed to be issued for no consideration under the Senior Executive Share Incentive Schemes	**2**	3
Weighted average number of shares for diluted earnings per share	**369**	378

Additional basic and diluted earnings per share are also calculated based on underlying earnings attributable to shareholders of US$296 million and US$295 million *(2002: US$242 million and US$241 million)* respectively. A reconciliation of earnings is set out below:

	2003 US$m	2003 Basic earnings per share US¢	2003 Diluted earnings per share US¢	2002 US$m	2002 Basic earnings per share US¢	2002 Diluted earnings per share US¢
Underlying profit (with all leasehold interests carried at valuation)	**296**	**80.74**	**79.92**	242	64.34	63.60
Adjustment for depreciation and amortization*	**(2)**			(2)		
Changes in tax rates**	**(3)**			–		
	291			240		
Decrease in fair value of investment properties	**(247)**			(276)		
Discontinued operations	**–**			130		
Other adjustments	**22**			16		
	(225)			(130)		
Profit attributable to shareholders	**66**	**18.04**	**17.58**	110	29.40	28.78
Profit attributable to shareholders as previously reported				352	93.74	93.10
Changes in accounting policies *(refer page 40)*				(242)		
Profit attributable to shareholders as restated				110	29.40	28.78

*Representing difference between depreciation and amortization of owner-occupied leasehold interests calculated on a valuation and on a cost basis.

**In respect of deferred tax on leasehold land payments, representing tax on the surplus arising on the valuation of owner-occupied leasehold interests upon an increase in holdings in subsidiary undertakings.

7 Earnings Per Share *(continued)*

A fuller analysis of the adjustments made to the profit attributable to shareholders in arriving at the underlying profit is set out below:

	2003 US$m	2002 US$m
Decrease in fair value of investment properties		
– Hongkong Land	**(246)**	(266)
– other	**(1)**	(10)
	(247)	(276)
Discontinued operations		
– net profit of Woolworths	**–**	5
– net profit on disposal of Woolworths	**–**	122
– reversal of closure cost provision for Franklins	**–**	3
	–	130
Sale and closure of businesses		
– Pizza Hut South China	**7**	–
– Hawaii motor operations	**11**	–
– French motor operations	**(11)**	(14)
– Australian motor operations	**(4)**	–
– PT Toyota-Astra Motor	**8**	–
– other	**(1)**	3
	10	(11)
Asset impairment		
– Hongkong Land	**2**	(16)
– Edaran Otomobil Nasional	**–**	28
	2	12
Realization of exchange losses*	**–**	(27)
Revaluation deficit on properties and provision for onerous leases	**(2)**	(4)
Fair value gain on biological assets	**4**	–
Fair value (loss)/gain on conversion option component of 4.75% Guaranteed Bonds	**(2)**	18
Sale of investments	**8**	28
Debt buyback in an associate	**2**	–
	(225)	(130)

*Arising from repatriation of capital from foreign subsidiary undertakings, associates and joint ventures.

8 Goodwill

	Positive goodwill US$m	Negative goodwill US$m	Net US$m
2003			
Net book value at 1st January			
– as previously reported	199	(195)	4
– changes in accounting policies	(22)	72	50
– as restated	177	(123)	54
Exchange differences	2	–	2
Fair value adjustments*	–	(9)	(9)
Additions	132	(16)	116
Disposals	(2)	–	(2)
Amortization	(19)	9	(10)
Net book value at 31st December	**290**	**(139)**	**151**
Cost	397	(173)	224
Amortization and impairment	(107)	34	(73)
	290	**(139)**	**151**
2002			
Net book value at 1st January			
– as previously reported	159	(146)	13
– changes in accounting policies	(25)	64	39
– as restated	134	(82)	52
Exchange differences	2	–	2
Additions	60	(52)	8
Disposals	(3)	2	(1)
Amortization	(16)	9	(7)
Net book value at 31st December	177	(123)	54
Cost	267	(148)	119
Amortization and impairment	(90)	25	(65)
	177	(123)	54

*In respect of acquisition of Jardine Cycle & Carriage in 2002, principally due to adjustments to the value of properties and biological assets in an associate.

Additions in 2002 included reclassification of negative goodwill relating to Jardine Cycle & Carriage of US$13 million from associates and joint ventures.

Amortization of goodwill is included in other operating expenses.

9 Tangible Assets

	Freehold properties US$m	Leasehold properties US$m	Leasehold improve-ments US$m	Plant & machinery US$m	Furniture, equipment & motor vehicles US$m	Total US$m
2003						
Net book value at 1st January						
– as previously reported	552	373	191	143	152	1,411
– change in accounting policy	(1)	(35)	–	–	–	(36)
– as restated	551	338	191	143	152	1,375
Exchange differences	49	4	2	3	3	61
Fair value adjustments*	1	4	–	–	–	5
New subsidiary undertakings	37	84	8	16	7	152
Additions	75	2	40	35	57	209
Disposals	(71)	–	(12)	(8)	(14)	(105)
Depreciation charge	(5)	(10)	(56)	(39)	(49)	(159)
Impairment charge	(3)	–	–	–	–	(3)
Net revaluation surplus/(deficit)	(13)	3	–	–	–	(10)
Transfer to investment properties	–	(4)	–	–	–	(4)
Net book value at 31st December	**621**	**421**	**173**	**150**	**156**	**1,521**
Cost or valuation	626	472	504	426	524	2,552
Depreciation and impairment	(5)	(51)	(331)	(276)	(368)	(1,031)
	621	**421**	**173**	**150**	**156**	**1,521**
2002						
Net book value at 1st January						
– as previously reported	488	325	222	182	175	1,392
– change in accounting policy	(1)	(32)	–	–	–	(33)
– as restated	487	293	222	182	175	1,359
Exchange differences	35	5	5	10	4	59
New subsidiary undertakings	39	38	1	10	9	97
Additions	79	–	51	43	50	223
Disposals	(72)	(9)	(32)	(62)	(25)	(200)
Depreciation charge	(3)	(6)	(54)	(40)	(59)	(162)
Impairment charge	(1)	–	(2)	–	(2)	(5)
Net revaluation surplus/(deficit)	(13)	17	–	–	–	4
Net book value at 31st December	551	338	191	143	152	1,375
Cost or valuation	555	373	500	392	499	2,319
Depreciation and impairment	(4)	(35)	(309)	(249)	(347)	(944)
	551	338	191	143	152	1,375

*In respect of acquisition of Jardine Cycle & Carriage in 2002 *(refer note 8)*.

9 Tangible Assets *(continued)*

The Group's freehold properties and the building component of leasehold properties were revalued at 31st December 2002 by independent professionally qualified valuers. The Directors have reviewed the carrying value at 31st December 2003 and, as a result, deficits on individual properties below depreciated cost of US$1 million *(2002: US$4 million)* and impairment losses of US$3 million *(2002: US$1 million)* have been charged to the consolidated profit and loss account. A net deficit of US$9 million *(2002: net surplus of US$8 million)* has been taken directly to property revaluation reserves. The amounts attributable to the Group, after tax and outside interests, are US$1 million, US$3 million and US$10 million respectively.

Freehold properties include a hotel property under development of US$103 million *(2002: US$32 million)*, which is stated net of a grant of US$33 million *(2002: US$29 million)*.

Certain of the land and buildings are pledged as security for borrowings *(refer note 22)*.

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$962 million *(2002: US$814 million)*.

10 Investment Properties

	Freehold properties US$m	Leasehold properties US$m	Total US$m
2003			
Net book value at 1st January			
– as previously reported	127	142	269
– change in accounting policy	–	142	142
– as restated	127	284	411
Exchange differences	–	3	3
Disposals	(6)	(30)	(36)
Net revaluation deficit	(6)	(19)	(25)
Transfer from tangible assets and leasehold land payments	–	6	6
Net book value at 31st December	**115**	**244**	**359**
2002			
Net book value at 1st January			
– as previously reported	4	9	13
– change in accounting policy	–	150	150
– as restated	4	159	163
Exchange differences	–	3	3
New subsidiary undertakings	133	129	262
Disposals	(10)	–	(10)
Net revaluation deficit	–	(7)	(7)
Net book value at 31st December	127	284	411

11 Leasehold Land Payments

	2003 US$m	2002 US$m
Net book value at 1st January		
– as previously reported	**484**	440
– change in accounting policy	**(17)**	(18)
– as restated	**467**	422
Exchange differences	**2**	2
Fair value adjustments*	**(1)**	–
New subsidiary undertakings	**6**	19
Additions	**15**	31
Disposals	**–**	(4)
Amortization	**(3)**	(2)
Impairment charge	**–**	(1)
Transfer to investment properties	**(2)**	–
Net book value at 31st December	**484**	467

* In respect of acquisition of Jardine Cycle & Carriage in 2002 *(refer note 8)*.

12 Associates and Joint Ventures

	2003 US$m	2002 US$m
Listed associates		
– Astra	**489**	181
– Hongkong Land	**1,499**	1,743
– Jardine Lloyd Thompson	**116**	93
– The Oriental Hotel (Thailand)	**54**	50
– other	**45**	53
	2,203	2,120
Unlisted associates	**246**	260
	2,449	2,380
Joint ventures	**379**	420
Share of attributable net assets	**2,828**	2,800
Goodwill on acquisition		
– positive	**35**	11
– negative	**(110)**	(115)
	(75)	(104)
Amounts due from associates and joint ventures	**41**	60
Amounts due to associates and joint ventures	**(1)**	(4)
	2,793	2,752
Market value of listed associates	**3,170**	2,312

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

	2003 US$m	2002 US$m
Non-current assets	**4,544**	3,659
Current assets	**3,496**	3,373
Current liabilities	**(2,623)**	(2,713)
Non-current liabilities	**(2,477)**	(1,367)
Share of total equity	**2,940**	2,952
Attributable to outside interests	**(112)**	(152)
Share of attributable net assets	**2,828**	2,800
Revenue	**4,248**	3,991
Profit/(loss) after tax and outside interests	**71**	(78)
Capital commitments	**59**	150
Contingent liabilities	**113**	101

12 Associates and Joint Ventures *(continued)*

	2003 US$m	2002 US$m
Movements of share of attributable net assets for the year:		
At 1st January		
– as previously reported	**2,391**	2,224
– changes in accounting policies	**409**	779
– as restated	**2,800**	3,003
Net exchange translation differences	**60**	57
Exchange differences realized on disposal of businesses	**(1)**	4
Fair value adjustments*	**15**	–
Share of results after tax and outside interests, and before amortization of goodwill	**71**	(78)
Dividends received	**(214)**	(214)
Share of property revaluation	**(2)**	12
Share of deferred tax on property revaluation	**–**	(1)
Share of fair value gain/(loss) on financial instruments	**9**	(3)
Share of fair value gain/(loss) transferred to consolidated profit and loss account	**1**	(31)
Reclassification as subsidiary undertakings	**(31)**	(162)
New subsidiary undertakings	**–**	195
Change in holding	**160**	23
Disposals	**(38)**	(6)
Other	**(2)**	1
At 31st December	**2,828**	2,800
Movements of goodwill on acquisition for the year:		
Net book value at 1st January		
– as previously reported	**(240)**	(235)
– changes in accounting policies	**136**	130
– as restated	**(104)**	(105)
Additions	**25**	(14)
Reclassification as subsidiary undertakings	**–**	13
Amortization	**4**	2
Net book value at 31st December	**(75)**	(104)

* In respect of acquisition of Jardine Cycle & Carriage in 2002 *(refer note 8)*.

Mandarin Oriental, Geneva and Jardine Cycle & Carriage became subsidiary undertakings during 2003 and 2002 respectively. Accordingly, the Group's share of attributable net assets and unamortized goodwill at the date on which the Group obtained control were reclassified and included in the separate assets and liabilities of the Group.

Amounts due from associates and joint ventures at 31st December 2003 included a loan to Mandarin Oriental, New York of US$30 million *(2002: US$30 million)*.

13 Other Investments

The Group's other investments are available-for-sale financial assets and are shown at fair value.

	2003 US$m	2002 US$m
Listed investments		
– Edaran Otomobil Nasional	**91**	101
– J.P. Morgan Chase	**320**	209
– The Bank of N.T. Butterfield	**62**	38
– other	**81**	48
	554	396
Unlisted investments	**142**	113
	696	509
Movements for the year:		
At 1st January	**509**	868
Exchange differences	**3**	31
Additions	**49**	19
Disposals	**(19)**	(311)
Capital repayment	**(17)**	(36)
Transfer on change in attributable interests	**–**	(16)
Impairment write-back	**–**	36
Net revaluation surplus/(deficit)	**171**	(82)
At 31st December	**696**	509

Shares of common stock of J.P. Morgan Chase have been set aside under a trust deed to cover the Group's obligations to deliver the shares on exercise of the exchange rights in relation to the 4.75% Guaranteed Bonds due 2007 *(refer note 22)*.

14 Deferred Tax Assets/(Liabilities)

	Accelerated tax depreciation US$m	Asset revaluation US$m	Losses US$m	Provisions and other temporary differences US$m	Total US$m
2003					
At 1st January					
– as previously reported	(17)	(26)	15	(6)	(34)
– changes in accounting policies	4	(84)	–	–	(80)
– as restated	(13)	(110)	15	(6)	(114)
Exchange differences	(1)	–	–	–	(1)
Fair value adjustments*	1	(1)	1	(2)	(1)
New subsidiary undertakings	(1)	–	–	–	(1)
Change in attributable interests	–	(2)	–	–	(2)
Credited to consolidated profit and loss account	(4)	(4)	9	–	1
Charged to equity	–	(3)	–	–	(3)
At 31st December	**(18)**	**(120)**	**25**	**(8)**	**(121)**
2002					
At 1st January					
– as previously reported	(12)	(25)	6	(2)	(33)
– changes in accounting policies	3	(74)	–	–	(71)
– as restated	(9)	(99)	6	(2)	(104)
Exchange differences	1	(2)	–	–	(1)
New subsidiary undertakings	(6)	–	1	2	(3)
Change in attributable interests	–	(12)	–	–	(12)
Credited to consolidated profit and loss account	1	1	8	2	12
Charged to equity	–	(2)	–	–	(2)
Subsidiary undertakings disposed of	–	4	–	(8)	(4)
At 31st December	(13)	(110)	15	(6)	(114)

	2003 US$m	2002 US$m
Analysis of net book value:		
Deferred tax assets	**37**	31
Deferred tax liabilities	**(158)**	(145)
	(121)	(114)

* In respect of acquisition of Jardine Cycle & Carriage in 2002 *(refer note 8)*.

14 Deferred Tax Assets/(Liabilities) *(continued)*

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$90 million *(2002: US$93 million)* arising from unused tax losses of US$349 million *(2002: US$420 million)* have not been recognized in the financial statements. Included in the unused tax losses, US$291 million have no expiry date and the balance will expire at various dates up to and including 2023.

Deferred tax liabilities of US$17 million *(2002: US$9 million)* on temporary differences associated with investments in subsidiary undertakings of US$60 million *(2002: US$38 million)* have not been recognized as there is no current intention of remitting the retained earnings to the holding companies.

15 Pension Plans

The Group has a large 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 the United Kingdom. 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 amounts recognized in the consolidated balance sheet are as follows:

	2003 US$m	2002 US$m
Fair value of plan assets	**592**	477
Present value of funded obligations	**(619)**	(587)
	(27)	(110)
Present value of unfunded obligations	**(15)**	(14)
Unrecognized actuarial losses	**105**	199
Unrecognized past service cost	**–**	1
Net pension assets	**63**	76
Analysis of net pension assets:		
Pension assets	**79**	89
Pension liabilities	**(16)**	(13)
	63	76
Movements for the year:		
At 1st January	**76**	76
Expense recognized in the consolidated profit and loss account	**(40)**	(27)
Subsidiary undertakings disposed of	**(2)**	–
Contributions paid	**29**	27
At 31st December	**63**	76

15 Pension Plans *(continued)*

The principal actuarial assumptions used for accounting purposes at 31st December are as follows:

	2003 Weighted average %	2002 Weighted average %
Discount rate applied to pension obligations	**5.5**	5.7
Expected return on plan assets	**6.5**	7.1
Future salary increases	**4.1**	4.8

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

	2003 US$m	2002 US$m
Current service cost	**26**	27
Interest cost	**33**	34
Expected return on plan assets	**(32)**	(38)
Net actuarial losses recognized	**12**	3
Past service cost	**–**	1
Loss on curtailment and settlement	**1**	–
	40	27
Actual surplus/(deficit) on plan assets in the year	**92**	(48)

The above amounts are all recognized in arriving at operating profit and are included in cost of sales, selling and distribution costs and administration expenses.

16 Other Non-current Assets

	2003 US$m	2002 US$m
Hire purchase debtors	**1**	3
Loans to a minority shareholder of a subsidiary undertaking	**13**	8
Interest rate swaps and forward foreign exchange contracts	**1**	1
Other	**1**	1
	16	13

17 Properties for Sale

	2003 US$m	2002 US$m
Completed properties	**12**	29
Properties under development	**328**	256
	340	285

Properties under development are further analysed as follows:

	2003 US$m	2002 US$m
Land and development costs	**380**	305
Interest capitalized	**3**	1
Other expenses capitalized	**3**	1
	386	307
Development profit recognized	**21**	5
	407	312
Provision for foreseeable losses	**(2)**	(1)
Progress payments	**(77)**	(55)
	328	256

The interest rate used to determine the amount of borrowing costs capitalized ranged from 1.1% to 3.8% *(2002: 1.2% to 2.4%)*.

18 Stocks and Work in Progress

	2003 US$m	2002 US$m
Stocks	**820**	888
Contract work in progress	**12**	6
	832	894

19 Debtors and Prepayments

	2003 US$m	2002 US$m
Trade debtors	**294**	420
Provision for doubtful debts	**(22)**	(29)
Trade debtors – net	**272**	391
Agency debtors	**17**	15
Prepayments	**37**	40
Amounts due from associates and joint ventures	**81**	110
Rental and other deposits	**81**	68
Forward foreign exchange contracts	**2**	2
Other	**113**	158
	603	784

20 Bank Balances and Other Liquid Funds

	2003 US$m	2002 US$m
Deposits with banks and financial institutions	**679**	1,030
Bank and cash balances	**276**	243
	955	1,273

Of bank balances and other liquid funds, US$33 million *(2002: US$42 million)* is held on behalf of third parties.

The weighted average interest rate on deposits with banks and financial institutions is 1.1% *(2002: 1.5%)*.

21 Creditors and Accruals

	2003 US$m	2002 US$m
Trade creditors	**942**	936
Accruals	**534**	550
Agency creditors	**51**	58
Amounts due to associates and joint ventures	**31**	77
Deposits accepted	**40**	43
Deferred warranty income	**17**	27
Interest rate swaps and forward foreign exchange contracts	**7**	7
Other	**65**	23
	1,687	1,721

22 Borrowings

	2003 Carrying amount US$m	2003 Fair value US$m	2002 Carrying amount US$m	2002 Fair value US$m
Current				
– bank overdrafts	**15**	**15**	28	28
– other bank advances	**240**	**240**	138	138
– other borrowings	**9**	**9**	6	6
	264	**264**	172	172
Current portion of long-term borrowings				
– bank	**98**	**98**	213	213
– other	**–**	**–**	195	195
	98	**98**	408	408
	362	**362**	580	580
Long-term borrowings				
– bank	**1,579**	**1,580**	1,444	1,445
– 4.75% Guaranteed Bonds due 2007	**502**	**571**	490	540
– 6.375% Guaranteed Bonds due 2011	**295**	**341**	295	304
– 6.75% Convertible Bonds due 2005	**14**	**16**	14	16
– other	**18**	**18**	39	39
	2,408	**2,526**	2,282	2,344
	2,770	**2,888**	2,862	2,924

	2003 US$m	2002 US$m
Secured	**1,058**	1,039
Unsecured	**1,712**	1,823
	2,770	2,862
Due dates of repayment:		
Within one year	**362**	580
Between one and two years	**146**	137
Between two and five years	**1,616**	1,703
Beyond five years	**646**	442
	2,770	2,862

22 Borrowings *(continued)*

Currency:	Fixed rate borrowings: Weighted average interest rates %	Weighted average period outstanding Years	US$m	Floating rate borrowings US$m	Total US$m
2003					
Euro	5.8	4.7	16	–	16
Hong Kong Dollar	2.7	2.7	327	322	649
Malaysian Ringgit	5.0	2.9	26	82	108
New Taiwan Dollar	2.2	1.6	20	21	41
New Zealand Dollar	5.7	–	–	12	12
Singapore Dollar	1.7	1.1	83	439	522
Swiss Franc	3.2	8.0	15	26	41
United Kingdom Sterling	4.7	2.3	31	204	235
United States Dollar	6.0	6.0	813	321	1,134
Other	5.3	–	–	12	12
			1,331	**1,439**	**2,770**
2002					
Australian Dollar	6.0	2.1	28	50	78
Euro	5.8	5.7	14	–	14
Hong Kong Dollar	4.0	1.8	308	320	628
Malaysian Ringgit	4.7	2.2	13	30	43
New Taiwan Dollar	3.1	0.2	6	21	27
New Zealand Dollar	6.4	–	–	14	14
Singapore Dollar	2.8	1.0	260	274	534
Swiss Franc	4.2	5.8	12	–	12
United Kingdom Sterling	5.1	3.2	29	228	257
United States Dollar	5.5	7.0	801	445	1,246
Other	6.2	–	–	9	9
			1,471	1,391	2,862

All borrowings were within subsidiary undertakings.

The 4.75% Guaranteed Bonds with nominal value of US$550 million due 2007 were issued by a wholly-owned subsidiary undertaking and are guaranteed by the Company. The bonds are exchangeable, at the option of the holders, into shares of common stock of J.P. Morgan Chase on the basis of 15.83 shares for each US$1,000 principal amount of the bonds from 6th September 2001 until 30th August 2007. The bonds will mature on 6th September 2007.

The 6.375% Guaranteed Bonds with nominal value of US$300 million due 2011 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 6.75% Convertible Bonds with nominal value of US$76 million due 2005 were issued by Mandarin Oriental. The bonds are convertible up to and including 23rd February 2005 into fully paid ordinary shares of Mandarin Oriental at a conversion price of US$0.671 per ordinary share. At 31st December 2003, US$61 million *(2002: US$61 million)* of the bonds were held by Jardine Strategic and the carrying amount of US$60 million *(2002: US$59 million)* was netted-off the carrying amount of the bonds.

Secured borrowings at 31st December 2003 included US$468 million *(2002: US$371 million)* which were secured against Mandarin Oriental's tangible fixed assets and US$98 million *(2002: US$157 million)* which were secured against Jardine Cycle & Carriage's assets.

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

23 Provisions

	Motor vehicle warranties US$m	Closure cost provisions US$m	Obligations under onerous leases US$m	Others US$m	Total US$m
At 1st January 2003	33	9	20	7	69
Exchange differences	4	1	2	–	7
Additional provisions	13	9	1	21	44
Disposals	(13)	–	–	–	(13)
Unused amounts reversed	(7)	(3)	(1)	–	(11)
Utilized	(10)	(4)	(1)	(4)	(19)
At 31st December 2003	**20**	**12**	**21**	**24**	**77**
Current	14	12	15	24	65
Non-current	6	–	6	–	12
	20	**12**	**21**	**24**	**77**

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.

Provisions are made for obligations under onerous operating leases when the properties are not used by the Group and the net costs of exiting from the leases exceed the economic benefits expected to be received.

Other provisions comprise provisions in respect of indemnities on disposal of businesses, lease dilapidations and legal claims.

24 Other Non-current Liabilities

	2003 US$m	2002 US$m
Conversion option component of 4.75% Guaranteed Bonds	**9**	7
Interest rate swaps and caps	**10**	17
Other creditors due after more than one year	**8**	7
	27	31

25 Segment Information

	Capital expenditure US$m	Segment assets US$m	Segment liabilities US$m
2003			
By business:			
Jardine Pacific	21	620	(426)
Jardine Motors Group	49	481	(242)
Dairy Farm	253	1,303	(859)
Mandarin Oriental	165	1,006	(68)
Jardine Cycle & Carriage	10	1,003	(156)
	498	4,413	(1,751)
Corporate and other interests	–	(28)	(47)
	498	**4,385**	**(1,798)**
By geographical area:			
Australasia	3	72	(20)
Continental Europe	89	128	(7)
Hong Kong and Mainland China	56	1,376	(787)
North America	145	413	(110)
Northeast Asia	45	195	(105)
Southeast Asia	121	1,652	(543)
United Kingdom	39	577	(179)
	498	4,413	(1,751)
Corporate and other interests	–	(28)	(47)
	498	**4,385**	**(1,798)**
Segment assets/(liabilities)		4,385	(1,798)
Associates and joint ventures		2,793	–
Unallocated assets/(liabilities)		1,699	(2,994)
Total assets/(liabilities)		**8,877**	**(4,792)**

25 Segment Information *(continued)*

	Capital expenditure US$m	Segment assets US$m	Segment liabilities US$m
2002			
By business:			
Jardine Pacific	29	757	(487)
Jardine Motors Group	30	502	(227)
Dairy Farm	185	1,079	(745)
Mandarin Oriental	33	821	(59)
Jardine Cycle & Carriage	380	1,206	(211)
	657	4,365	(1,729)
Corporate and other interests	(19)	7	(98)
	638	4,372	(1,827)
By geographical area:			
Australasia	10	218	(39)
Continental Europe	–	30	(3)
Hong Kong and Mainland China	107	1,384	(778)
North America	38	441	(106)
Northeast Asia	16	178	(92)
Southeast Asia	459	1,562	(530)
United Kingdom	27	552	(181)
	657	4,365	(1,729)
Corporate and other interests	(19)	7	(98)
	638	4,372	(1,827)
Segment assets/(liabilities)		4,372	(1,827)
Associates and joint ventures		2,752	–
Unallocated assets/(liabilities)		1,825	(3,066)
Total assets/(liabilities)		8,949	(4,893)

Capital expenditure comprises of additions of goodwill, tangible assets, investment properties and leasehold land payments, including those arising from acquisitions of subsidiary undertakings.

Unallocated assets and liabilities comprise of other investments, tax assets and liabilities, cash and cash equivalents, borrowings and the conversion option component of the Group's 4.75% Guaranteed Bonds.

26 Share Capital

	2003 US$m	2002 US$m
Authorized:		
1,000,000,000 shares of US¢25 each	**250**	250

	Ordinary shares in millions 2003	2002	2003 US$m	2002 US$m
Issued and fully paid:				
At 1st January	**628**	628	**157**	157
Scrip issued in lieu of dividends	**4**	3	**1**	1
Issued under share incentive schemes	**–**	–	**–**	–
Repurchased and cancelled	**(20)**	(3)	**(5)**	(1)
At 31st December	**612**	628	**153**	157
Outstanding under share incentive schemes	**(7)**	(14)	**(2)**	(4)
	605	614	**151**	153

During the year, the Company repurchased 15 million *(2002: 3 million)* ordinary shares from the stock market at a cost of US$119 million *(2002: US$21 million)*, which was dealt with by charging US$4 million to share capital, US$6 million to share premium and US$109 million to revenue and other reserves *(2002: US$1 million, US$2 million and US$18 million respectively)*.

On 31st December 2003, the Company repurchased 5 million ordinary shares, representing options that had ceased to be exercisable, from the Trustee of the Senior Executive Share Incentive Schemes at the original consideration of US$33 million, which was dealt with by charging US$1 million to share capital and US$32 million to share premium.

27 Senior Executive Share Incentive Schemes

The Senior Executive Share Incentive Schemes were set up in order to provide selected executives with options to purchase ordinary shares in the Company. Under the Schemes ordinary shares are issued to the Trustee of the Schemes, Clare Investment and Trustee Company Limited, a wholly-owned subsidiary undertaking, which holds the ordinary shares until the options are exercised. Ordinary shares are issued at prices based on the average market price for the five trading days immediately preceding the date of grant of the options, which are exercisable for up to ten years following the date of grant.

As the shares issued under the Schemes are held on trust by a wholly-owned subsidiary undertaking, for presentation purposes they are netted-off the Company's share capital in the consolidated balance sheet *(refer note 26)* and the premium attached to them is netted off the share premium account *(refer note 28)*.

Movements for the year:

	Ordinary shares in millions			
	2003	2002	**2003** US$m	2002 US$m
At 1st January	**14**	14	**77**	78
Granted	**–**	–	**3**	1
Exercised	**(2)**	–	**(9)**	(2)
Repurchased and cancelled	**(5)**	–	**(33)**	–
At 31st December	**7**	14	**38**	77

The exercise prices of share options exercised during the year were in the range of US$3.2 to US$8.0 *(2002: US$3.2 to US$4.5)* per share.

Outstanding at 31st December:

	Exercise price	Ordinary shares in millions	
Expiry date	US$	**2003**	2002
2003	3.2 – 7.7	**–**	0.4
2004	3.2 – 10.1	**0.8**	1.0
2005	7.5 – 8.0	**0.4**	0.4
2006	7.2	**0.1**	0.2
2007	7.5 – 7.7	**0.5**	0.9
2008	2.0 – 4.5	**0.3**	0.5
2009	3.2 – 3.3	**1.0**	1.4
2010	3.7 – 5.0	**1.6**	2.1
2011	5.8 – 6.4	**1.5**	1.4
2012	5.8	**0.2**	0.3
2013	5.8	**0.5**	–
Unallocated	3.7	**–**	5.2
		6.9	13.8

28 Share Premium

	2003 US$m	2002 US$m
At 1st January	**73**	74
Capitalization arising on scrip issued in lieu of dividends	**-**	-
Arising from shares issued under share incentive schemes	**3**	1
Repurchase of shares *(refer note 26)*	**(38)**	(2)
At 31st December	**38**	73
Outstanding under share incentive schemes	**(36)**	(73)
	2	-

29 Revenue and Other Reserves

	Revenue reserves US$m	Property revaluation reserves US$m	Hedging reserves US$m	Exchange reserves US$m	Total US$m
2003					
At 1st January					
– as previously reported	2,749	100	(24)	(131)	2,694
– changes in accounting policies	418	–	–	(2)	416
– as restated	3,167	100	(24)	(133)	3,110
Revaluation of properties					
– net revaluation deficit	–	(10)	–	–	(10)
– deferred tax	–	(1)	–	–	(1)
Revaluation of other investments					
– fair value gain	155	–	–	–	155
– transfer to consolidated profit and loss account on disposal	(4)	–	–	–	(4)
Net exchange translation differences					
– amount arising in year	–	–	–	59	59
– transfer to consolidated profit and loss account	–	–	–	10	10
Cash flow hedges					
– fair value gain	–	–	7	–	7
– transfer to consolidated profit and loss account	–	–	6	–	6
Profit attributable to shareholders	66	–	–	–	66
Dividends *(refer note 30)*	(110)	–	–	–	(110)
Scrip issued in lieu of dividends *(refer note 30)*	22	–	–	–	22
Capitalization arising on scrip issued in lieu of dividends	(1)	–	–	–	(1)
Repurchase of shares *(refer note 26)*	(109)	–	–	–	(109)
Change in attributable interests	(1)	–	–	–	(1)
Transfer	3	(4)	1	–	–
At 31st December	**3,188**	**85**	**(10)**	**(64)**	**3,199**
of which:					
Company	142	–	–	–	142
Associates and joint ventures	342	27	(5)	(3)	361

29 Revenue and Other Reserves *(continued)*

	Revenue reserves US$m	Property revaluation reserves US$m	Hedging reserves US$m	Exchange reserves US$m	Total US$m
2002					
At 1st January					
– as previously reported	2,692	87	(16)	(248)	2,515
– changes in accounting policies	660	–	–	(2)	658
– as restated	3,352	87	(16)	(250)	3,173
Revaluation of properties					
– net revaluation surplus	–	23	–	–	23
– deferred tax	–	(3)	–	–	(3)
Revaluation of other investments					
– fair value loss	(98)	–	–	–	(98)
– transfer on change in attributable interests	5	–	–	–	5
– transfer to consolidated profit and loss account on disposal	(110)	–	–	–	(110)
Net exchange translation differences					
– amount arising in year	–	–	–	69	69
– transfer to consolidated profit and loss account	–	–	–	46	46
Cash flow hedges					
– fair value loss	–	–	(14)	–	(14)
– transfer to consolidated profit and loss account	–	–	6	–	6
Profit attributable to shareholders	110	–	–	–	110
Dividends *(refer note 30)*	(100)	–	–	–	(100)
Scrip issued in lieu of dividends *(refer note 30)*	21	–	–	–	21
Capitalization arising on scrip issued in lieu of dividends	(1)	–	–	–	(1)
Repurchase of shares *(refer note 26)*	(18)	–	–	–	(18)
Change in attributable interests	1	–	–	–	1
Transfer	5	(7)	–	2	–
At 31st December	3,167	100	(24)	(133)	3,110
of which:					
Company	382	–	–	–	382
Associates and joint ventures	448	30	(13)	(30)	435

Revenue reserves include unrealized net deficit on revaluation of available-for-sale investments of US$62 million *(2002: US$213 million)*.

30 Dividends

	2003 US$m	2002 US$m
Final dividend in respect of 2002 of US¢22.20 *(2001: US¢18.70)* per share	**136**	115
Interim dividend in respect of 2003 of US¢7.80 *(2002: US¢7.80)* per share	**48**	48
	184	163
Less Company's share of dividends paid on the shares held by subsidiary undertakings	**(74)**	(63)
	110	100
Shareholders elected to receive scrip in respect of the following:		
Final dividend in respect of previous year	**16**	15
Interim dividend in respect of current year	**6**	6
	22	21

A final dividend in respect of 2003 of US¢25.20 *(2002: US¢22.20)* per share amounting to a total of US$152 million *(2002: US$136 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 subsidiary undertakings of US$62 million *(2002: US$55 million)* will be accounted for as an appropriation of revenue reserves in the year ending 31st December 2004.

31 Own Shares Held

Own shares held represent the Company's share of the cost of 313 million *(2002: 313 million)* ordinary shares in the Company held by subsidiary undertakings and are deducted in arriving at shareholders' funds.

32 Outside Interests

	2003 US$m	2002 US$m
By business:		
Hongkong Land	**308**	360
Dairy Farm	**121**	348
Mandarin Oriental	**237**	231
Jardine Cycle & Carriage	**797**	608
Jardine Strategic	**114**	87
Other	**11**	14
	1,588	1,648
Less own shares held attributable to outside interests	**(185)**	(185)
	1,403	1,463
Movements for the year:		
At 1st January		
– as previously reported	**1,275**	760
– changes in accounting policies	**188**	318
– as restated	**1,463**	1,078
Net exchange translation differences		
– amount arising in year	**44**	44
– disposal of businesses	**4**	18
New subsidiary undertakings	**4**	508
Attributable profits less dividends	**(67)**	141
Revaluation of properties		
– net revaluation deficit	**(2)**	(1)
– deferred tax	**(2)**	–
Fair value adjustments*	**8**	–
Fair value gain on financial instruments	**18**	18
Fair value gain transferred to consolidated profit and loss account	**–**	(124)
Deferred tax on fair value gain on financial instruments	**(1)**	–
Capital contribution and change in attributable interests	**(66)**	(219)
At 31st December	**1,403**	1,463

* In respect of acquisition of Jardine Cycle & Carriage in 2002 *(refer note 8)*.

33 Notes to Consolidated Cash Flow Statement

(a) Depreciation and amortization	**2003** **US$m**	2002 US$m
By business:		
Jardine Pacific	**29**	34
Jardine Motors Group	**11**	11
Dairy Farm	**104**	109
Mandarin Oriental	**18**	17
Jardine Cycle & Carriage	**12**	2
Corporate and other interests	**(2)**	(1)
	172	172

(b) Other non-cash items	**2003** **US$m**	2002 US$m
By nature:		
Profit on sale of subsidiary undertakings	**(11)**	(228)
(Profit)/loss on sale of associates and joint ventures	**(6)**	3
Profit on sale of other investments	**(8)**	(48)
Loss on sale of tangible assets	**1**	13
(Profit)/loss on sale of investment properties	**(5)**	3
Net gain on disposal of Franklins' assets in Dairy Farm	**–**	(5)
Deficit on revaluation of properties	**27**	12
Impairment of assets	**3**	(30)
Change in provisions	**18**	21
Write-back of development costs in Mandarin Oriental	**–**	(5)
Fair value loss on financial instruments	**7**	–
Fair value loss/(gain) on conversion option component of Guaranteed Bonds	**2**	(18)
Realization of exchange losses on repatriation of capital from foreign subsidiary undertakings	**–**	25
	28	(257)
By business:		
Jardine Pacific	**(23)**	20
Jardine Motors Group	**(8)**	23
Dairy Farm	**8**	(216)
Mandarin Oriental	**–**	(5)
Jardine Cycle & Carriage	**40**	11
Corporate and other interests	**11**	(90)
	28	(257)

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

(c) Decrease in working capital	2003 US$m	2002 US$m
(Increase)/decrease in properties for sale	**(47)**	30
Decrease in stocks and work in progress	**53**	7
Decrease in debtors and prepayments	**121**	98
Increase in creditors and accruals	**18**	–
Increase in pension obligations	**10**	–
	155	135

(d) Purchase of subsidiary undertakings	2003 US$m	2002 US$m
Tangible assets	**152**	97
Investment properties	**–**	262
Leasehold land payments	**6**	19
Associates and joint ventures	**–**	293
Deferred tax assets	**–**	4
Other non-current assets	**–**	13
Current assets	**41**	770
Current liabilities	**(70)**	(251)
Long-term borrowings	**–**	(364)
Deferred tax liabilities	**(1)**	(7)
Non-current provisions	**–**	(11)
Other non-current liabilities	**–**	(7)
Outside interests	**(4)**	(185)
Fair value at acquisition	**124**	633
Adjustment for outside interests	**–**	(322)
Share of fair value at acquisition	**124**	311
Goodwill attributable to subsidiary undertakings	**64**	21
Total consideration	**188**	332
Adjustment for deferred consideration, and carrying value of associates and joint ventures and other investments	**(33)**	(185)
Cash and cash equivalents of subsidiary undertakings acquired	**(7)**	(66)
Net cash outflow	**148**	81
Payment of deferred consideration	**2**	2
Purchase of shares in Jardine Strategic	**–**	103
Purchase of shares in Dairy Farm	**181**	135
Purchase of shares in Mandarin Oriental	**7**	22
	338	343

Net cash outflow in 2003 of US$148 million included Jardine Motors Group's acquisition of a BMW dealership in North London of US$27 million, Dairy Farm's acquisition of Shop N Save of US$49 million and stores in Taiwan and Malaysia of US$37 million, and Mandarin Oriental's acquisition of an additional 46.3% interest in its Geneva hotel of US$23 million.

Net cash outflow in 2002 of US$81 million included Jardine Strategic's increased interest in Jardine Cycle & Carriage of US$71 million.

The revenue and operating loss in respect of subsidiary undertakings acquired during the year amounted to US$175 million and US$1 million respectively.

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

(e) Purchase of associates and joint ventures in 2003 included Jardine Strategic's increased interest in Hongkong Land of US$35 million and Jardine Cycle & Carriage's increased interest in Astra of US$135 million. Purchase of associates and joint ventures in 2002 included investment in Mandarin Oriental, New York of US$47 million, and Jardine Strategic's increased interest in Hongkong Land of US$5 million.

(f) Sale of subsidiary undertakings	**2003** US$m	2002 US$m
Goodwill	**2**	1
Tangible assets	**41**	148
Other investments	**-**	1
Deferred tax assets	**-**	8
Pension assets	**3**	-
Current assets	**190**	211
Current liabilities	**(115)**	(153)
Long-term borrowings	**(8)**	(64)
Deferred tax liabilities	**-**	(4)
Other non-current liabilities	**-**	(6)
Outside interests	**-**	(1)
Net assets disposed of	**113**	141
Adjustment for investment in associates and joint ventures and other investments	**(20)**	4
Cumulative exchange translation differences	**10**	12
Profit on disposal	**11**	228
Sale proceeds	**114**	385
Adjustment for deferred consideration	**(8)**	-
Cash and cash equivalents of subsidiary undertakings disposed of	**(6)**	(1)
Net cash inflow	**100**	384

Net cash inflow in 2003 of US$100 million included Jardine Motors Group's sale of its Hawaii motor operations of US$56 million and dealerships in the United Kingdom of US$25 million.

Net cash inflow in 2002 of US$384 million included Jardine Motors Group's sale of its French motor operations of US$73 million and Dairy Farm's sale of Woolworths, New Zealand of US$276 million.

The revenue and operating profit in respect of subsidiary undertakings disposed of during the year amounted to US$660 million and US$6 million respectively.

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

(g) Sale of associates and joint ventures in 2003 included Jardine Pacific's sale of its interest of UMF Singapore and PT Jakarta Land of US$9 million and US$18 million respectively, and a repayment of shareholders' loan from Mandarin Oriental, Macau of US$6 million.

(h) Sale of other investments in 2003 included a distribution from Edaran Otomobil Nasional of US$36 million following its asset divestment in 2002. Sale of other investments in 2002 included Jardine Strategic's sale of an investment.

(i) Analysis of balances of cash and cash equivalents	**2003** US$m	2002 US$m
Bank balances and other liquid funds *(refer note 20)*	**955**	1,273
Bank overdrafts *(refer note 22)*	**(15)**	(28)
	940	1,245

34 Financial Instruments

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

Foreign exchange risk

Foreign currency transaction exposures are covered on a consistent basis by forward contracts and options. Foreign exchange contracts are also used to hedge investments in foreign subsidiary undertakings, associates and joint ventures, where the currency concerned is anticipated to be volatile and where the exposure of the Group is material. Consistent with Group policy on covering transactional exposures, the purpose of these hedges is to eliminate the impact of movements in foreign exchange rates on assets and liabilities of the Group.

Interest rate risk

The Group is exposed to interest rate risk through the impact of rate changes on interest bearing liabilities and assets. These exposures are managed partly by using natural hedges that arise from offsetting interest rate sensitive assets and liabilities, and partly through the use of derivative financial instruments such as interest rate swaps, caps and options.

Funding risk

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

Counterparty risk

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

Fair values

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

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

The fair values of debtors, bank balances and other liquid funds, creditors and accruals, current borrowings, and current provisions are assumed to approximate their carrying amount due to the short-term maturities of these assets and liabilities.

The fair value of the conversion option component of the 4.75% Guaranteed Bonds is valued by reference to its credit spread, and the share price and volatility of the underlying J.P. Morgan Chase shares.

The fair values of long-term borrowings are estimated using the expected future payments discounted at market interest rates.

34 Financial Instruments *(continued)*

Derivative financial instruments

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

	2003 Positive fair value US$m	**2003** Negative fair value US$m	2002 Positive fair value US$m	2002 Negative fair value US$m
Designated as cash flow hedges				
– forward foreign exchange contracts	**2**	**–**	2	1
– interest rate swaps and caps	**1**	**11**	1	23
	3	**11**	3	24
Economic hedges of net investment in foreign entities				
– forward foreign exchange contracts	**–**	**6**	–	–

Forward foreign exchange contracts

The contract amounts of the outstanding forward foreign exchange contracts at 31st December 2003 were US$985 million *(2002: US$622 million).*

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

Interest rate swaps and caps

The notional principal amounts of the outstanding interest rate swap and cap contracts at 31st December 2003 were US$635 million *(2002: US$919 million).*

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

	2003 US$m	2002 US$m
Within one year	**101**	415
Between one and five years	**424**	460
Beyond five years	**110**	44
	635	919

At 31st December 2003, the fixed interest rates relating to interest rate swaps vary from 1.1% to 6.9% *(2002: 2.6% to 8.5%).*

35 Commitments

	2003 US$m	2002 US$m
Capital commitments:		
Authorized not contracted	**70**	187
Contracted not provided	**35**	11
	105	198
Operating lease commitments:		
Total commitments under operating leases		
– due within one year	**300**	289
– due between one and five years	**485**	476
– due beyond five years	**585**	608
	1,370	1,373

Total future sublease payments receivable relating to the above operating leases amounted to US$10 million *(2002: US$11 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.

36 Contingent Liabilities

	2003 US$m	2002 US$m
Guarantees in respect of facilities made available to associates and joint ventures	**70**	116

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.

37 Related Party Transactions

In the normal course of business the Group undertakes a wide variety of transactions with certain of its associates and joint ventures. The more significant of such transactions are described below.

The Group rents property from Hongkong Land. The gross annual rentals paid by the Group in 2003 to Hongkong Land were US$3 million *(2002: US$4 million)*. The Group provided property services to Hongkong Land in 2003 in aggregate amounting to US$20 million *(2002: US$21 million)*.

In September 2003, Jardine Pacific disposed of its 25% interest in PT Jakarta Land to Hongkong Land for a consideration of US$18 million.

Amounts of outstanding balances with associates and joint ventures are included in associates and joint ventures, debtors and prepayments, and creditors and accruals, as appropriate *(refer notes 12, 19 and 21)*.

Details of Directors' emoluments (being the key management personnel compensation) are shown in the final paragraph of page 84 under the heading of Directors' Appointments, Emoluments and Service Contracts.

38 Summarized Balance Sheet of the Company

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

	2003 US$m	2002 US$m
Subsidiary undertakings	**338**	616
Net current liabilities	**(5)**	(4)
Net operating assets	**333**	612
Share capital *(refer note 26)*	**153**	157
Share premium *(refer note 28)*	**38**	73
Revenue and other reserves *(refer note 29)*	**142**	382
Shareholders' funds	**333**	612

Subsidiary undertakings are shown at cost less amounts provided.

39 Principal Subsidiary Undertakings and Associates

The principal subsidiary undertakings and associates of the Group at 31st December 2003 are set out below.

	Country of incorporation	Particulars of issued capital and debt securities			Attributable interests 2003 %	2002 %	Nature of business
Dairy Farm International Holdings Ltd	Bermuda	USD	74,789,395	ordinary	**61**	55	Supermarkets, hypermarkets, health and beauty stores, convenience stores, home furnishings stores and restaurants
Hongkong Land Holdings Ltd*	Bermuda	USD	229,522,629	ordinary	**33**	32	Property development & investment, leasing & management and infrastructure investment
		USD	600,000,000	bonds due 2011	**–**	–	
Jardine Cycle & Carriage Ltd	Singapore	SGD	328,226,284	ordinary	**42**	39	A 38% interest in PT Astra International Tbk; motor trading; and property development & investment
Jardine Lloyd Thompson Group plc*	England	GBP	10,074,756	ordinary	**32**	32	Insurance broking
Jardine Matheson Ltd	Bermuda	USD	12,000	ordinary	**100**	100	Group management
Jardine Motors Group Holdings Ltd	Bermuda	USD	8,947,702	ordinary	**100**	100	Motor trading
Jardine Pacific Holdings Ltd	Bermuda	USD	62,500,000	ordinary	**100**	100	Marketing & distribution, engineering & construction, aviation & shipping services and property & financial services
Jardine Strategic Holdings Ltd	Bermuda	USD	52,362,850	ordinary	**79**	79	Holding
		USD	300,000,000	guaranteed bonds due 2011	**–**	–	
Mandarin Oriental International Ltd	Bermuda	USD	43,844,408	ordinary	**58**	56	Hotel management & ownership
		USD	75,865,000	convertible bonds due 2005	**63**	63	
Matheson & Co., Ltd	England	GBP	20,000,000	ordinary	**100**	100	Holding and management

Attributable interests represent the proportional holdings of the Company, held directly or through its subsidiary undertakings, in the issued share capitals of the respective subsidiary undertakings and associates, 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.

*Associates. All other companies are subsidiary undertakings.

Independent Auditors' Report

To the members of Jardine Matheson Holdings Limited

We have audited the accompanying consolidated balance sheet of Jardine Matheson Holdings Limited and its subsidiaries ("the Group") as at 31st December 2003, and the related consolidated profit and loss account, cash flows, statement of changes in equity and related notes for the year then ended. These financial statements are the responsibility of the Company's Directors. Our responsibility is to express an opinion on these financial statements based on our audit. 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.

We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the financial position of the Group as at 31st December 2003, and the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards and the Bermuda Companies Act.

PricewaterhouseCoopers LLP
London
United Kingdom

25th February 2004

Five Year Summary

Consolidated Profit and Loss Account

	2003 US$m	2002 US$m	2001 US$m	2000 US$m	1999 US$m
Revenue	**8,452**	7,398	9,413	10,362	10,675
Profit/(loss) before tax	**244**	307	(33)	1,570	360
Tax	**(63)**	(34)	(40)	(35)	(29)
Profit/(loss) after tax	**181**	273	(73)	1,535	331
Profit/(loss) attributable to shareholders	**66**	110	(24)	1,366	236
Profit/(loss) attributable to outside interests	**115**	163	(49)	169	95
	181	273	(73)	1,535	331
Underlying profit attributable to shareholders	**296**	242	171	165	155
Earnings/(loss) per share (US¢)	**18.04**	29.40	(6.28)	246.71	39.05
Underlying earnings per share (US¢)	**80.74**	64.34	44.28	29.84	25.55
Dividends per share (US¢)	**33.00**	30.00	26.50	26.50	25.00

Consolidated Balance Sheet

	2003 US$m	2002 US$m	2001 US$m	2000 US$m	1999 US$m
Goodwill	**151**	54	52	84	122
Tangible assets	**1,521**	1,375	1,359	1,587	1,757
Investment properties	**359**	411	163	177	189
Leasehold land payments	**484**	467	422	410	339
Associates and joint ventures	**2,793**	2,752	2,862	3,109	2,774
Other investments	**696**	509	868	976	399
Other non-current assets	**132**	133	118	117	108
Net current assets	**570**	850	254	590	651
Long-term borrowings	**(2,408)**	(2,282)	(2,136)	(2,742)	(1,554)
Other non-current liabilities	**(213)**	(213)	(200)	(247)	(153)
Net operating assets	**4,085**	4,056	3,762	4,061	4,632
Shareholders' funds	**2,682**	2,593	2,684	2,942	2,833
Outside interests	**1,403**	1,463	1,078	1,119	1,799
Total equity	**4,085**	4,056	3,762	4,061	4,632
Adjusted net asset value per share* (US$)	**7.71**	7.27	7.37	7.86	4.82

Consolidated Cash Flow Statement

	2003 US$m	2002 US$m	2001 US$m	2000 US$m	1999 US$m
Cash flows from operating activities	**675**	594	357	431	575
Cash flows from investing activities	**(541)**	(64)	(124)	(622)	(497)
Net cash flow before financing	**134**	530	233	(191)	78
Cash flow per share from operating activities (US¢)	**184.15**	158.19	92.35	77.76	95.09

Figures prior to 2003 have been restated to reflect changes in accounting policies on investment properties and depreciation of hotel properties.

Prior to 2001, other investments are stated at cost less amounts provided.

*Adjusted to take into account the market value of all of the Group's leasehold interests.

Corporate Governance

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, prepared in accordance with International Financial Reporting Standards, must give a true and fair view of the state of affairs of the Group at the end of the financial year, and of the profit or loss and cash flows for the year then ended.

The Directors consider that suitable accounting policies, applied on a consistent basis and supported by prudent and reasonable judgements and estimates, have been selected in preparing the financial statements and that the applicable accounting standards have been followed.

It is also the responsibility of the Directors to ensure proper accounting records are maintained and to take reasonable steps to safeguard the assets of the Group as well as to prevent and detect fraud and other irregularities.

Financial and Other Internal Controls

The Board is responsible for maintaining a system of internal financial control designed to enable the Directors to monitor the Group's overall financial position, to help protect its assets and to give reasonable, but not absolute, assurance against material financial misstatement or loss.

Jardine Matheson's policy on commercial conduct underpins the Group's internal financial control process. The policy is set out in a published 'Code of Conduct' which covers business ethics, compliance with local legislation and accounting requirements. The Code of Conduct is reinforced and monitored by an annual compliance certification process.

The Board maintains control and direction over strategic, financial, organizational and compliance issues, and has in place an organizational structure with defined lines of responsibility and delegation of authority. There are established policies and procedures for financial planning and budgeting; for information and reporting systems; 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 Board has delegated to executive management the implementation of the systems of internal financial control throughout the Group: these systems are monitored by a series of audit committees which operate in each major business unit across the Group and an internal audit function which reports their findings and recommendations for any corrective action required to the relevant audit committee, and, if appropriate, to the Audit Committee of the Company.

The systems of internal control include:

- An ongoing process of reviewing internal controls and evaluating risks faced by the Group.
- Approval by the Board of annual revenue, expenditure and investment budgets.
- Regular consideration by the Board of performance to date compared with budgets and year-end forecasts.
- Clearly defined capital investment guidelines and procedures set by the Board.
- Regular reporting of fiscal, legal and accounting developments to the Audit Committee and the Board.
- Post event reviews of major investments by the executive management.

Prior to completion and announcement of the half-year and year-end results, a detailed analysis of the Company's financial information is reviewed by the Audit Committee with the executive management and a report is received from the external auditors on the audit process. The external auditors also have access to the full Board, in addition to the Managing Director and other executive Directors.

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 independence and objectivity of the external auditors is also considered on a regular basis.

Directors' Interests

At 31st December 2003, the Directors of the Company had the interests set out below in the ordinary share capitals of the Company and its subsidiaries. These interests were beneficial except where otherwise indicated.

	The Company	Jardine Strategic	Dairy Farm	Mandarin Oriental
Henry Keswick	11,143,325#	–	–	–
	55,366*			
Percy Weatherall	31,594,132#	78,750	579,981	–
	222,857*			
Brian Keelan	39,567	250,000	163,800	115,000
Simon Keswick	9,081,692#	7,181	66,087	19,858
	2,722,552*	19,661*		
R.C. Kwok	73,479	72,015	94,424	45,898
C.G.R. Leach	884,445	52,962	–	–
Norman Lyle	–	–	99,900	100,000
A.J.L. Nightingale	806,678	16,875	24,375	–
	5,056*		9,808*	

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

In addition:

(a) At 31st December 2003, Percy Weatherall, Brian Keelan, Norman Lyle and A.J.L. Nightingale held options in respect of 585,000, 850,000, 700,000 and 190,000 ordinary shares, respectively, issued pursuant to the Company's Senior Executive Share Incentive Schemes.

(b) The Directors are discretionary objects under a trust created in 1947 (the '1947 Trust'). The Trustees of the 1947 Trust held 35,915,991 ordinary shares in the Company representing 5.87% of the Company's issued share capital at 31st December 2003. Under the terms of the 1947 Trust its income may be distributed to senior executive officers and employees of the Company and its wholly-owned subsidiaries. Directors who are within the category of 'senior executive officers and employees' are therefore deemed to be interested in the shares owned by the 1947 Trust.

(c) At 31st December 2003, A.J.L. Nightingale had a beneficial interest in 25,000 ordinary shares in Jardine Davies and 15,000 ordinary shares in Cycle & Carriage Bintang.

Save as disclosed, there were no changes in the above interests between the end of the financial year and 5th March 2004.

Directors' Appointments, Emoluments and Service Contracts

On 31st December 2003, James Watkins retired from the Board. In accordance with Bye-Law 84, Norman Lyle and A.J.L. Nightingale retire by rotation at the Annual General Meeting and, being eligible, offer themselves for re-election. None of the Directors proposed for re-election has a service contract with any Group company which has a notice or contract period of one or more years or which provides for compensation on termination of an amount which equals or exceeds one year's salary and benefits in kind.

For the year ended 31st December 2003, the Directors received US$8.1 million *(2002: US$7.6 million)* in employee benefits, being US$7.7 million *(2002: US$7.3 million)* in short-term employee benefits including salary, bonuses, accommodation and deemed benefits in kind and US$0.4 million *(2002: US$0.3 million)* in post-employment benefits. The 1947 Trust also made distributions to the Directors amounting to US$10.8 million *(2002: US$9.5 million)*. The information set out in this paragraph forms part of the audited financial statements.

A motion to increase the Chairman's fee to US$35,000 per annum and the non-executive Directors' fees to US$25,000 each per annum with effect from 1st January 2004 will be proposed at the forthcoming Annual General Meeting.

Substantial Shareholders

The Company has been informed pursuant to the share interest disclosure obligations incorporated in Part XVII of the statutory Bermuda Takeover Code governing the Company of the following notifiable interests in the ordinary shares of the Company: Jardine Strategic and its subsidiary undertakings were interested directly and indirectly in 320,012,092 ordinary shares representing 52.26% of the Company's current issued ordinary share capital; Cheung Kong (Holdings) Ltd and Hutchison Whampoa Ltd, through their respective subsidiaries, were interested in a total of 20,563,377 ordinary shares representing 3.36% of the Company's current issued ordinary share capital, the interest in such shares being a right to call for delivery pursuant to Regulation 49(5) of the Bermuda Takeover Code. Apart from these shareholdings and the shareholdings of the 1947 Trust and of Percy Weatherall disclosed above, the Company is not aware of any notifiable interest in 3% or more of the issued ordinary share capital of the Company as at 5th March 2004.

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

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

Securities Purchase Arrangements

At the Annual General Meeting held on 8th May 2003, 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.

During the year the Company repurchased and cancelled 14,976,400 ordinary shares for an aggregate total cost of US$118.6 million. The ordinary shares, which were repurchased in the market, represented 2.38% of the Company's issued ordinary share capital.

In addition, on 31st December 2003, the Company repurchased and cancelled 5,531,835 ordinary shares representing 0.9% of the Company's issued ordinary share capital for an aggregate consideration of US$33.3 million from Clare Investment and Trustee Company Limited, a subsidiary and trustee of the Company's Senior Executive Share Incentive Schemes. The ordinary shares repurchased related to options previously granted under the Company's Senior Executive Share Incentive Schemes which had ceased to be exercisable. The repurchase was carried out in accordance with the Schemes' rules at the respective issue prices.

Arrangements under which Shareholders have Agreed to Waive Dividends

The Trustee of the Company's Senior Executive Share Incentive Schemes has waived the interim dividend and has undertaken to waive the recommended final dividend for 2003 in respect of the ordinary shares in which it is interested.

Related Party Transactions

During the course of the year, the Company entered into transactions with 'related parties', as defined in the listing rules of the UK Listing Authority, details of which are included in note 37 to the financial statements on page 79.

Annual General Meeting

The full text of the resolutions and explanatory notes in respect of the 2004 Annual General Meeting to be held on 6th May 2004 are contained in the Notice of Meeting which accompanies this report.

Shareholder Information

Financial Calendar

2003 full-year results announced	25th February 2004
Share registers closed	15th to 19th March 2004
2003 final dividend scrip election period closes	23rd April 2004
Annual General Meeting to be held	6th May 2004
2003 final dividend payable	12th May 2004
2004 half-year results to be announced	4th August 2004*
Share registers to be closed	30th August to 3rd September 2004*
2004 interim dividend scrip election period closes	30th September 2004*
2004 interim dividend payable	20th October 2004*

**Subject to change*

Dividends

Shareholders will receive their dividends in United States Dollars, unless they are registered on the Jersey branch register where they will have the option to elect for Sterling. These shareholders may make new currency elections by notifying the United Kingdom transfer agent in writing by 23rd April 2004. The Sterling equivalent of dividends declared in United States Dollars will be calculated by reference to a rate prevailing on 28th April 2004. Shareholders holding their shares through The Central Depository (Pte) Ltd ('CDP') in Singapore will receive United States Dollars unless they elect, through CDP, to receive Singapore Dollars. Shareholders, including those who hold their shares through CDP, may also elect to receive a scrip alternative to their dividends.

Registrars and Transfer Agent

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

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

Jersey Branch Registrar
Capita IRG (Offshore) Ltd
P.O. Box 378
St Helier, Jersey JE4 0FF
Channel Islands

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

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

ADR Depositary
The Bank of New York
Depositary Receipts Division
101 Barclay Street, 22nd Floor
New York, NY 10286
United States of America

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

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Jonathan Gould
Brian Keelan
Adam Keswick
Ben Keswick
R.C. Kwok, JP
Norman Lyle
A.J.L. Nightingale
Y.K. Pang
James Riley

Group Corporate Secretary
N.M. McNamara

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Hong Kong SAR Jardine Matheson Ltd	48th Floor, Jardine House G.P.O. Box 70 Hong Kong	Telephone (852) 2843 8288 Facsimile (852) 2845 9005 Percy Weatherall
India Jardine Matheson Ltd (Liaison Office)	609, Raheja Chambers Free Press Marg Nariman Point Mumbai 400 021	Telephone (91 22) 5632 2570 Facsimile (91 22) 5632 2572 Nawshir Mirza
Indonesia Jardine Matheson Ltd (Representative Office)	Level 16, World Trade Centre Jalan Jendral Sudirman Kav. 29-31 Jakarta 12920	Telephone (62 21) 522 8981 Facsimile (62 21) 522 8983 Leonard van Hien
Mainland China Jardine Matheson (China) Ltd (Liaison Office)	Rm 528, 5/F, China World Tower 1 China World Trade Centre No.1 Jianguomenwai Avenue Chaoyang District, Beijing 100004	Telephone (8610) 6505 2801 Facsimile (8610) 6505 2805 Adam C.N. Williams
Malaysia Jardine Matheson (Malaysia) Sdn Bhd	Tingkat 4, Bangunan Setia 1 15, Lorong Dungun Bukit Damansara 50490 Kuala Lumpur	Telephone (603) 2094 2168 Facsimile (603) 2092 2168 Dato' Khalid bin Haji Ismail
Netherlands Jardine Matheson Europe B.V.	Diepenbrockstraat 19 1077 VX Amsterdam	Telephone (31 20) 470 0258 Facsimile (31 20) 470 0323 James Reid
Philippines Jardine Davies Inc	Jardine Davies Building 222 Sen.Gil J.Puyat Avenue Makati City 1200, P.O. Box 1757, MCPO	Telephone (632) 815 4483 Facsimile (632) 812 5271 A.B. Colayco
Singapore Jardine Matheson (Singapore) Ltd	78 Shenton Way #29-02 Singapore 079120	Telephone (65) 6322 2101 Facsimile (65) 6323 0694 Y.C. Boon
Taiwan Jardine, Matheson & Co., Ltd	14th Floor, World Trade Building 50 Hsin Sheng South Road Section 1, Taipei	Telephone (8862) 2393 1177 Facsimile (8862) 2394 5625 Liang Chang
Thailand Jardine Matheson (Thailand) Ltd	21st Floor, Times Square Building 246 Sukhumvit Road, Klong Toey Bangkok 10110	Telephone (662) 254 0675 Facsimile (662) 254 0671 Philip Smiley
United Kingdom Matheson & Co., Ltd	3 Lombard Street London EC3V 9AQ	Telephone (44 20) 7816 8100 Facsimile (44 20) 7623 5024 C.G.R. Leach
Vietnam Jardine Matheson Ltd	8th Floor, Jardine House 58 Dong Khoi Street District 1, Ho Chi Minh City	Telephone (848) 8222 340 Facsimile (848) 8230 030 Simon Craig/Nguyen Thi Theu

Jardine Matheson

Jardine Matheson Holdings Limited

Annual General Meeting 2004

Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting of the members of Jardine Matheson Holdings Limited will be held at the Elbow Beach hotel, 60 South Shore Road, Paget, Bermuda on Thursday, 6th May 2004 at 9.00 a.m. for the following purposes:

1 To receive and consider the Financial Statements and the Independent Auditors' Report for the year ended 31st December 2003, and to declare a final dividend.

2 To re-elect Directors.

3 To fix the Directors' fees.

4 To re-appoint the Auditors and to authorize the Directors to fix their remuneration.

To consider and, if thought fit, adopt with or without amendments, the following Ordinary Resolutions:

5 That:

(a) the exercise by the Directors during the Relevant Period (for the purposes of this Resolution, 'Relevant Period' being the period from the passing of this Resolution until the earlier of the conclusion of the next Annual General Meeting, or the expiration of the period within which such meeting is required by law to be held, or the revocation or variation of this Resolution by an ordinary resolution of the shareholders of the Company in general meeting) of all powers of the Company to allot or issue shares and to make and grant offers, agreements and options which would or might require shares to be allotted, issued or disposed of during or after the end of the Relevant Period, be and is hereby generally and unconditionally approved; and

(b) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) by the Directors pursuant to the approval in paragraph (a), otherwise than pursuant to a Rights Issue (for the purposes of this Resolution, 'Rights Issue' being an offer of shares or other securities to holders of shares or other securities on the Register on a fixed record date in proportion to their then holdings of such shares or other securities or otherwise in accordance with the rights attaching thereto (subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements or legal or practical problems under the laws of, or the requirements of any recognized regulatory body or any stock exchange in, any territory)), or the issue of shares pursuant to the Company's Employee Share Purchase Trusts, shall not exceed US$7.6 million, and the said approval shall be limited accordingly.

6 That:

(a) the exercise by the Directors of all powers of the Company to purchase its own shares, subject to and in accordance with all applicable laws and regulations, during the Relevant Period (for the purposes of this Resolution, 'Relevant Period' being the period from the passing of this Resolution until the earlier of the conclusion of the next Annual General Meeting, or the expiration of the period within which such meeting is required by law to be held, or the revocation or variation of this Resolution by an ordinary resolution of the shareholders of the Company in general meeting) be and is hereby generally and unconditionally approved;

(b) the aggregate nominal amount of shares of the Company purchased by the Company pursuant to the approval in paragraph (a) of this Resolution shall be less than 15% of the aggregate nominal amount of the existing issued share capital of the Company at the date of this meeting, and such approval shall be limited accordingly; and

(c) the approval in paragraph (a) of this Resolution shall, where permitted by applicable laws and regulations and subject to the limitation in paragraph (b) of this Resolution, extend to permit the purchase of shares of the Company (i) by subsidiaries of the Company and (ii) pursuant to the terms of put warrants or financial instruments having similar effect ('Put Warrants') whereby the Company can be required to purchase its own shares, provided that where Put Warrants are issued or offered pursuant to a Rights Issue (as defined in Resolution 5 above) the price which the Company may pay for shares purchased on exercise of Put Warrants shall not exceed 15% more than the average of the market quotations for the shares for a period of not more than 30 nor less than the five dealing days falling one day prior to the date of any public announcement by the Company of the proposed issue of Put Warrants.

By Order of the Board
C.H. Wilken
Company Secretary

25th March 2004

Non-routine business

The following items of non-routine business are being dealt with as ordinary resolutions at the Annual General Meeting:

Resolution 5

This resolution relates to the renewal of a general mandate authorizing the Directors to issue shares up to a maximum of 5% of the aggregate nominal amount of the issued share capital of the Company. The proposed authority will expire at the conclusion of the subsequent Annual General Meeting and it is intended to seek its renewal at that and future Annual General Meetings. The Directors have no current intention of issuing any shares pursuant to this mandate. No pre-emptive rights exist under Bermuda law in relation to issues of new shares by the Company.

Resolution 6

This resolution relates to the renewal of a general mandate to the Directors to repurchase shares of the Company representing less than 15% of the issued share capital of the Company at the date of the resolution (the 'Repurchase Mandate'). The price paid for shares repurchased by the Company, other than (i) on exercise of Put Warrants issued on a pro-rata basis to shareholders or (ii) with the prior approval of the UK Listing Authority will be not less than US¢25 and not more than 5% above the average of the market values of the shares for the five trading days before any purchase is made. The resolution also permits the repurchase of shares by the Company pursuant to the terms of Put Warrants or similar instruments conferring rights to sell shares back to the Company at a specified price. The terms of any such Put Warrants would be determined by the Directors at the time of issue but the price paid for shares repurchased by the Company on exercise of Put Warrants which are issued on a pro-rata basis to shareholders could not exceed 15% more than the average of the market values of the shares for a period of not more than 30 nor less than the five trading days just prior to announcement of their issue.

As at 5th March 2004, the latest practicable date prior to the publication of this document, a total of 7,166,724 share options issued pursuant to the Company's Senior Executive Share Incentive Schemes were outstanding, representing 1.17% of the issued share capital at that date and 1.38% of the issued share capital if the full authority to repurchase shares (existing and being sought) was used. There are no outstanding warrants to subscribe for shares.

The authority conferred on the Directors by the Repurchase Mandate would continue in force until the conclusion of the next Annual General Meeting of the Company unless previously revoked, varied or renewed by ordinary resolution of the shareholders in general meeting.

The Directors believe that the Repurchase Mandate is in the best interests of the Company and its shareholders in order to facilitate repurchases by the Company or its subsidiaries of its own securities. Such purchases are subject to and will be made in accordance with the UK Listing Authority listing rules. Depending on market conditions and funding arrangements at the time, such purchases may lead to an enhancement of the net assets and/or earnings per share and liquidity of the securities of the Company and will only be made when the Directors believe that such purchases will benefit the Company and/or its shareholders. Put Warrants would be issued only if the Directors considered it in the best interests of the Company and shareholders to do so.

Note:
A member entitled to attend and vote is entitled to appoint a proxy or proxies to attend and vote instead of him; a proxy need not also be a member of the Company. A form of proxy is enclosed for use by registered shareholders. Completion and return of the proxy will not preclude a member from attending and voting in person.

Investors holding their shares through a nominee, within The Central Depository (Pte) Limited system in Singapore or other agent should contact their nominee, depository agent or professional adviser with regard to the procedures required to enable them to be represented and to vote at the Annual General Meeting.

Registered Office:
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www.jardines.com