

news release

Mandarin Oriental International Limited

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To: Business Editor

30th July 2002

For immediate release

The following announcement was today issued to the London Stock Exchange.

MANDARIN ORIENTAL INTERNATIONAL LIMITED INTERIM REPORT 2002 HIGHLIGHTS

- Underlying profit improves despite declines in revenue
- Occupancy levels recover but rates remain soft
- New York hotel on schedule to open in late 2003

“The second half of the year is traditionally stronger for many of our hotels, but uncertainty in the global economy continues to affect business and booking patterns remain shorter than usual.”

Simon Keswick, *Chairman*
30th July 2002

Results

Prepared in accordance with IAS as modified by revaluation of leasehold properties*	(unaudited) Six months ended 30th June		Change %
	2002 US\$m	2001 US\$m	
Combined total revenue of hotels under management	272	283	-4
Profit before interest and tax	30	26	+17
Profit after tax and minority interests	12	6	+96
	US¢	US¢	%
Earnings per share	1.43	0.73	+96
Interim dividend per share	-	0.50	n/a

* The Group's financial statements are prepared under International Accounting Standards ('IAS') which no longer permit leasehold interests in land 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, nor how management measures the performance of the Group. Accordingly, the Group has presented supplementary financial information prepared in accordance with IAS as modified by the revaluation of leasehold properties in addition to the IAS financial statements. The figures included in the above summary and the Chairman's Statement are based on this supplementary financial information unless otherwise stated.

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MANDARIN ORIENTAL INTERNATIONAL LIMITED
INTERIM REPORT 2002

OVERVIEW

Occupancy levels at most of Mandarin Oriental's hotels recovered from the depressed conditions prevailing in the second half of last year. The combined total revenue from the Group's hotels declined due to the continued weakness in average room rates, but prudent cost containment together with the favourable interest rate environment enabled the Group to achieve some improvement in underlying profit. Providing the hotels' guests with outstanding service in these challenging times remains as important as ever, and most of the Group's hotels performed well against their competition.

PERFORMANCE

Consolidated profit before interest and tax for the six months ended 30th June 2002 was US\$30 million, compared with US\$26 million in the same period last year. The result includes a US\$5 million write-back of development costs for Mandarin Oriental, Washington D.C. following the decision to proceed with the project. Despite an increase in borrowings to fund development projects, the Group's financing charges fell due to lower interest rates. Consolidated profit after tax and minority interests was US\$12 million, compared with US\$6 million in the first half of last year.

Earnings per share for the six months were US¢1.43, compared with US¢0.73 in the first six months of 2001. No interim dividend has been declared given the current uncertain environment and the Group's development commitments.

GROUP REVIEW

The Group's two Hong Kong hotels showed some improvement in occupancy, but the average room rates at Mandarin Oriental, Hong Kong and The Excelsior declined by 17% and 13%, respectively, compared with the first six months of 2001. Weak market conditions persisted in Manila and Jakarta. Total revenue at Mandarin Oriental Hyde Park increased by 11%, primarily due to its success in increasing occupancy from 60% to 69% despite a downturn in the luxury hotel sector. With its award-winning restaurant and spa, this is now firmly established as one of London's leading hotels. In New York, occupancy levels at 67% were up over last year, although rates remained soft, and the performance in Munich was satisfactory.

There were mixed performances among the Group's associate and managed hotels. Profitability in Macau, Geneva and Kuala Lumpur was enhanced as the revenue per available room rose. The Oriental, Bangkok also increased its contribution, while the Miami hotel did well to increase its revenue in a challenging local market. These improved contributions were partially offset by lower results from the hotels in Singapore, Hawaii and San Francisco, where occupancy levels were down on the first half of 2001.

DEVELOPMENTS

The Group's commitment to its long-term strategy of being one of the world's leading luxury hotel groups remains firmly in place, with new projects underway in three international cities. Construction of the AOL/Time Warner Center is continuing with the 251-room Mandarin Oriental, New York scheduled to open in late 2003. The development of a 400-room luxury hotel in Washington D.C. has commenced with completion expected in Spring 2004. Detailed planning for the development of a 171-room deluxe hotel in Tokyo, which the Group will operate under a long-term lease, is in progress. Other opportunities, including city centre hotels and destination resorts, are under consideration.

OUTLOOK

In conclusion, the Chairman, Simon Keswick said, "The second half of the year is traditionally stronger for many of our hotels, but uncertainty in the global economy continues to affect business and booking patterns remain shorter than usual."

Mandarin Oriental International Limited
Consolidated Profit and Loss Account

Year ended 31st December 2001 US\$m	Prepared in accordance with IAS (unaudited) Six months ended 30th June 2001 US\$m		Note	Prepared in accordance with IAS as modified by revaluation of leasehold properties* (unaudited) Year ended Six months ended 30th June 2001 US\$m			
	2002 US\$m	2001 US\$m		2002 US\$m	2001 US\$m	2001 US\$m	
227.9 (138.8)	117.7 (69.2)	111.8 (67.6)	2	Revenue Cost of sales	111.8 (67.4)	117.7 (69.0)	227.9 (138.4)
89.1 (16.8) (45.8)	48.5 (8.6) (21.7)	44.2 (8.0) (15.4)		Gross profit Selling and distribution costs Administration expenses	44.4 (8.0) (15.4)	48.7 (8.6) (21.7)	89.5 (16.8) (45.8)
26.5	18.2	20.8	3	Operating profit	21.0	18.4	26.9
13.5	6.9	8.6	4	Share of operating results of associates and joint ventures	8.8	7.1	13.8
40.0 (31.1)	25.1 (16.0)	29.4 (14.2)		Profit before interest and tax Net financing charges	29.8 (14.2)	25.5 (16.0)	40.7 (31.1)
8.9 (5.6)	9.1 (3.4)	15.2 (3.4)	5	Profit before tax Tax	15.6 (3.4)	9.5 (3.4)	9.6 (5.6)
3.3 0.3	5.7 0.1	11.8 -		Profit after tax Minority interests	12.2 -	6.1 0.1	4.0 0.3
3.6	5.8	11.8		Profit after tax and minority interests	12.2	6.2	4.3
US¢	US¢	US¢			US¢	US¢	US¢
0.42	0.68	1.38	6	Earnings per share	1.43	0.73	0.50
0.42	0.68	1.38		- basic - diluted	1.43	0.73	0.50

* The basis of preparation of this supplementary financial information is set out in note 1.

Mandarin Oriental International Limited

Consolidated Balance Sheet

Prepared in accordance with IAS			Note	Prepared in accordance with IAS as modified by revaluation of leasehold properties*		
At 31st December	(unaudited) At 30th June	(unaudited) At 30th June		At 30th June	At 30th June	At 31st December
2001	2001	2002		2002	2001	2001
US\$m	US\$m	US\$m		US\$m	US\$m	US\$m
23.3	23.9	22.6		22.6	23.9	23.3
491.7	494.6	527.8	7	1,027.5	1,051.7	990.0
187.7	187.9	187.5		-	-	-
222.2	209.8	246.8		265.8	233.3	241.1
23.5	22.9	24.7		24.7	22.9	23.5
13.8	13.6	13.8		13.8	13.6	13.8
2.9	2.5	2.9		2.9	2.5	2.9
965.1	955.2	1,026.1		1,357.3	1,347.9	1,294.6
3.0	3.1	2.9		2.9	3.1	3.0
34.7	32.1	32.7		32.7	32.1	34.7
79.2	88.6	75.2		75.2	88.6	79.2
116.9	123.8	110.8		110.8	123.8	116.9
(39.7)	(40.2)	(38.6)		(38.6)	(40.2)	(39.7)
(2.9)	(81.2)	(5.6)	8	(5.6)	(81.2)	(2.9)
(4.7)	(3.5)	(4.8)		(4.8)	(3.5)	(4.7)
(47.3)	(124.9)	(49.0)		(49.0)	(124.9)	(47.3)
69.6	(1.1)	61.8		61.8	(1.1)	69.6
(448.1)	(359.0)	(466.6)	8	(466.6)	(359.0)	(448.1)
(10.2)	(13.2)	(10.9)		(14.1)	(15.9)	(12.9)
(0.8)	(0.8)	(0.7)		(0.7)	(0.8)	(0.8)
(4.6)	(3.9)	(5.1)		(5.1)	(3.9)	(4.6)
571.0	577.2	604.6		932.6	967.2	897.8
42.6	42.6	42.6		42.6	42.6	42.6
88.7	88.7	88.7		88.7	88.7	88.7
434.0	440.1	461.9		788.0	828.5	758.7
565.3	571.4	593.2		919.3	959.8	890.0
5.7	5.8	11.4		13.3	7.4	7.8
571.0	577.2	604.6		932.6	967.2	897.8

No interim valuations of the Group's properties have been undertaken. Stated values at 30th June 2002 and 2001 reflect the values at the previous 31st December.

* The basis of preparation of this supplementary financial information is set out in note 1.

Mandarin Oriental International Limited
Consolidated Statement of Changes in Shareholders' Funds

Prepared in accordance with IAS				Prepared in accordance with IAS as modified by revaluation of leasehold properties*		
Year ended 31st December 2001	(unaudited) Six months ended 30th June 2001	(unaudited) 2002		(unaudited) 2002	(unaudited) 2001	Year ended 31st December 2001
US\$m	US\$m	US\$m	Note	US\$m	US\$m	US\$m
590.0	590.0	565.3		890.0	979.5	979.5
			At beginning of period			
(7.8)	-	-	Revaluation of properties - net revaluation deficit	-	-	(73.3)
1.7	-	-	- deferred tax	-	-	1.7
			Net exchange translation differences			
(8.9)	(16.0)	16.1	- amount arising in period	17.1	(17.5)	(8.9)
			Fair value gains on financial assets	-	-	0.2
0.2	-	-	Cash flow hedges - fair value losses	-	(1.2)	(2.0)
(2.0)	(1.2)	-				
			Net gains/(losses) not recognised in consolidated profit and loss account	17.1	(18.7)	(82.3)
(16.8)	(17.2)	16.1	Profit after tax and minority interests	12.2	6.2	4.3
3.6	5.8	11.8	9 Dividends	-	(7.2)	(11.5)
(11.5)	(7.2)	-				
<u>565.3</u>	<u>571.4</u>	<u>593.2</u>	At end of period	<u>919.3</u>	<u>959.8</u>	<u>890.0</u>

* The basis of preparation of this supplementary financial information is set out in note 1.

Mandarin Oriental International Limited
Consolidated Cash Flow Statement

Prepared in accordance with IAS (unaudited)			Prepared in accordance with IAS as modified by revaluation of leasehold properties* (unaudited)		
Year ended 31st December 2001	Six months ended 2001	2002		Six months ended 2001	Year ended 31st December 2001
US\$m	US\$m	US\$m	Note	US\$m	US\$m
			Operating activities		
26.5	18.2	20.8	Operating profit	21.0	18.4
15.5	8.1	7.6	Depreciation	7.6	8.1
			Amortisation of leasehold land payments	-	-
0.4	0.2	0.2	Amortisation of goodwill	0.8	0.6
1.2	0.6	0.8	Non-cash items	(4.8)	(0.5)
1.0	(0.5)	(4.8)	Decrease/(Increase) in working capital	0.8	(2.7)
(1.7)	(2.7)	0.8	Interest received	0.4	2.2
3.7	2.2	0.4	Interest and other financing charges paid	(12.1)	(16.4)
(31.4)	(16.4)	(12.1)	Tax paid	(1.4)	(5.2)
(7.3)	(5.2)	(1.4)			
7.9	4.5	12.3	Dividends from associates and joint ventures	12.3	4.5
5.8	3.0	3.2		3.2	3.0
13.7	7.5	15.5	Cash flows from operating activities	15.5	7.5
			Investing activities		
(22.8)	(9.9)	(15.6)	Investments in and loans to associates and joint ventures	(15.6)	(9.9)
0.6	-	1.3	Repayment of loan to joint ventures	1.3	-
(1.5)	(0.7)	(0.8)	Purchase of other investments	(0.8)	(0.7)
(15.0)	(10.2)	(22.2)	Purchase of tangible assets	(22.2)	(10.2)
(38.7)	(20.8)	(37.3)	Cash flows from investing activities	(37.3)	(20.8)
			Financing activities		
0.1	-	4.7	Capital contribution from minority interests	4.7	-
247.3	9.6	13.0	Drawdown of borrowings	13.0	9.6
(231.5)	(0.2)	(0.3)	Repayment of borrowings	(0.3)	(0.2)
(11.5)	(7.2)	-	Dividends paid by the Company	-	(7.2)
4.4	2.2	17.4	Cash flows from financing activities	17.4	2.2
(0.2)	(0.4)	0.7	Effect of exchange rate changes	0.7	(0.4)
(20.8)	(11.5)	(3.7)	Net decrease in cash and cash equivalents	(3.7)	(11.5)
99.4	99.4	78.6	Cash and cash equivalents at beginning of period	78.6	99.4
78.6	87.9	74.9	Cash and cash equivalents at end of period	74.9	87.9

* The basis of preparation of this supplementary financial information is set out in note 1.

Mandarin Oriental International Limited
Notes

1. ACCOUNTING POLICIES AND BASIS OF PREPARATION

The unaudited interim condensed financial statements have been prepared in accordance with IAS 34 - Interim Financial Reporting.

There have been no changes to the accounting policies described in the 2001 annual financial statements. As in 2001, the Group is required to account for leasehold land at amortised cost in order to comply with IAS. This treatment does not reflect the generally accepted accounting practice in the territories in which the Group has significant leasehold interests, nor how management measures the performance of the Group. Accordingly, the Group has presented supplementary financial information on pages 4 to 7 prepared in accordance with IAS as modified by the revaluation of leasehold properties.

2. REVENUE

	Prepared in accordance with IAS	
	Six months ended 30th June	
	2002	2001
	US\$m	US\$m
<i>By geographical area:</i>		
Hong Kong & Macau	59.1	66.1
Southeast Asia	13.8	13.3
Europe	23.1	21.3
The Americas	15.8	17.0
	111.8	117.7

3. OPERATING PROFIT

	Prepared in accordance with IAS Six months ended 30th June	
	2002 US\$m	2001 US\$m
	<hr/>	<hr/>
<i>By geographical area:</i>		
Hong Kong & Macau	8.6	12.9
Southeast Asia	2.2	1.3
Europe	3.9	3.0
The Americas	6.1	1.0
	<hr/>	<hr/>
	20.8	18.2
	<hr/>	<hr/>

4. SHARE OF OPERATING RESULTS OF ASSOCIATES AND JOINT VENTURES

	Prepared in accordance with IAS Six months ended 30th June	
	2002 US\$m	2001 US\$m
	<hr/>	<hr/>
<i>By geographical area:</i>		
Hong Kong & Macau	1.3	1.0
Southeast Asia	5.3	4.7
Europe	1.2	0.9
The Americas	0.8	0.3
	<hr/>	<hr/>
	8.6	6.9
	<hr/>	<hr/>

5. TAX

	Prepared in accordance with IAS Six months ended 30th June	
	2002 US\$m	2001 US\$m
	<hr/>	<hr/>
Company and subsidiaries	2.5	2.3
Associates and joint ventures	0.9	1.1
	<hr/>	<hr/>
	3.4	3.4
	<hr/>	<hr/>

Tax on profits has been calculated at rates of taxation prevailing in the territories in which the Group operates and includes a United Kingdom tax charge of US\$5,000 (2001: tax credit of US\$500,000).

6. EARNINGS PER SHARE

Basic earnings per share are calculated on profit after tax and minority interests of US\$11.8 million (2001: US\$5.8 million) and on the weighted average number of 851.5 million (2001: 851.5 million) shares in issue during the period. The weighted average number excludes the Company's shares held by the Trustee under the Company's Senior Executive Share Incentive Schemes.

Diluted earnings per share are calculated on the weighted average number of shares after adjusting 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 period. The convertible bonds are anti-dilutive and therefore are ignored in calculating diluted earnings per share.

	Ordinary shares in millions	
	2002	2001
Weighted average number of shares in issue	851.5	851.5
Adjustment for shares deemed to be issued for no consideration	0.1	1.6
Weighted average number of shares for diluted earnings per share	851.6	853.1

7. TANGIBLE ASSETS AND CAPITAL COMMITMENTS

	Prepared in accordance with IAS		
	At 30th June		At 31st
	2002	2001	December
	US\$m	US\$m	US\$m
Opening net book value	491.7	513.8	513.8
Translation differences	16.8	(18.0)	(9.3)
Additions	26.9	6.9	10.7
Disposals	-	-	(0.2)
Depreciation	(7.6)	(8.1)	(15.5)
Revaluation deficit	-	-	(7.8)
Closing net book value	527.8	494.6	491.7
Capital commitments	115.3	30.2	26.7

8. BORROWINGS

	Prepared in accordance with IAS		
	At 30th June		At 31st
	2002	2001	December
	US\$m	US\$m	2001
			US\$m
Bank loans	392.4	361.7	371.9
6.75% convertible bonds	72.1	70.9	71.4
Finance lease	7.7	7.6	7.7
	472.2	440.2	451.0
Current	5.6	81.2	2.9
Long-term	466.6	359.0	448.1
	472.2	440.2	451.0

9. DIVIDENDS

	Prepared in accordance with IAS	
	Six months ended 30th June	
	2002	2001
	US\$m	US\$m
No final dividend in respect of 2001 (2000: US¢0.85 per share)	-	7.2

No interim dividend in respect of 2002 is proposed (2001: US¢0.50 per share amounting to US\$4.3 million).

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This and other Group announcements can be accessed through the Internet at "www.mandarinoriental.com".

NOTE TO EDITORS

Mandarin Oriental Hotel Group is an international hotel investment and management group operating 21 deluxe and first class hotels and resorts worldwide including three under development in New York, Washington D.C., and Tokyo. The Group has equity interests in most of its properties and net assets of approximately US\$900 million at 30th June 2002. Mandarin Oriental now operates some 7,000 rooms in eleven countries with nine hotels in Asia, six in The Americas and three in Europe.

The parent company, Mandarin Oriental International Limited, is incorporated in Bermuda, listed in London, Singapore and Bermuda and has a sponsored American Depositary Receipt programme. Mandarin Oriental Hotel Group International Limited, which operates from Hong Kong, manages the activities of the Group's hotels. Mandarin Oriental is a member of the Jardine Matheson Group.

Mandarin Oriental's aim is to be recognised as one of the top global luxury hotel groups, providing exceptional customer satisfaction in each of its hotels. This will be achieved through a strategy of investing in facilities and people, while maximising profitability and long-term shareholder value. The Group regularly receives recognition and awards for outstanding service and quality management. The growth strategy of the Group is to progress towards operating 10,000 rooms in major business centres and key leisure destinations around the world.