

news release

Mandarin Oriental International Limited

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To: Business Editor



24th February 2004
For immediate release

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

MANDARIN ORIENTAL INTERNATIONAL LIMITED 2003 PRELIMINARY ANNOUNCEMENT OF RESULTS

Highlights

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

“The recovery seen during the second half of 2003 was encouraging, and in the second half of 2004 the Group will also benefit from the contribution from its new hotels in New York and Washington D.C. While travel patterns remain vulnerable to external events, Mandarin Oriental is well-positioned to benefit from an upturn in the leisure and corporate travel markets.”

Simon Keswick, *Chairman*
24th February 2004

Results

	Year ended 31st December		Change %
	2003 US\$m	Restated 2002 US\$m	
Combined total revenue of hotels under management	541.2	547.5	-1
Profit before interest, tax, depreciation and amortization	68.4	78.3	-13
Profit before interest and tax	28.6	45.7	-37
Profit attributable to shareholders	3.1	15.7	-80
Funds from operations ⁽¹⁾	12.2	18.5	-34
	US¢	US¢	%
Earnings per share	0.36	1.84	-80
Funds from operations per share ⁽¹⁾	1.43	2.17	-34
	US\$	US\$	%
Net asset value per share	0.70	0.67	+4
Net asset value per share with leasehold properties at valuation ⁽²⁾	1.14	1.09	+5

(1) Funds from operations ('FFO') figures for each year have been presented to provide additional information to investors to facilitate comparison with other hotel companies, including those in Hong Kong, with substantial real estate interests. FFO is defined as profit attributable to shareholders excluding depreciation of hotel buildings, net of relevant deferred tax and minority interests.

(2) The net asset value per share with leasehold properties at valuation has been presented after adjusting for the market value of the Group's leasehold interests. International Financial Reporting Standards ('IFRS') do not permit leasehold interests of owner-occupied properties to be carried at valuation. The Group considers that the IFRS treatment does not reflect the economic substance of its underlying property investments. Nor does this treatment reflect generally accepted accounting practice in the territories in which the Group has significant leasehold interests, nor how management measures the performance of the Group. Therefore the Group has presented the net asset value per share taking into account the fair market value of leasehold interests as supplementary financial information in addition to the net asset value per share in accordance with IFRS.

- more -

MANDARIN ORIENTAL INTERNATIONAL LIMITED

**PRELIMINARY ANNOUNCEMENT OF RESULTS
FOR THE YEAR ENDED 31ST DECEMBER 2003**

OVERVIEW

The challenges posed by the outbreak of SARS in Asia, the hostilities in Iraq and the overall economic uncertainty had a detrimental impact on Mandarin Oriental's results and required the Group to reduce costs at individual hotels and at the corporate level as well as to defer some capital expenditure. Performance improved in the later part of the year as occupancy returned to 2002 levels and the results benefited from insurance cover in respect of business interruption caused by SARS.

The Group's expansion continued with the opening of Mandarin Oriental, New York in December, and other developments, including the Washington D.C. hotel due to open in spring 2004, remain on schedule.

PERFORMANCE

The consolidated profit before interest, tax, depreciation and amortization for 2003 was US\$68 million, compared with US\$78 million in 2002, which included the release of a US\$5 million provision in respect of development costs. The 2003 results included the receipt of a US\$16 million settlement of insurance claims and US\$8 million of pre-opening costs and initial operating losses related to the Group's new hotels in New York and Washington D.C.

In accordance with revised International Financial Reporting Standards ('IFRS'), the Group has modified its policies relating to depreciation of hotel buildings, which has given rise to an additional depreciation charge in 2003 of US\$10 million. Supplementary information has been presented to facilitate comparison with other hotel companies. Funds from operations, being profit attributable to shareholders excluding depreciation on hotel buildings, were US\$12 million in 2003, compared with US\$19 million in 2002.

The Group continued to benefit from reduced financing charges due to lower interest rates. Profit attributable to shareholders was US\$3 million, compared with US\$16 million in the previous year, as restated in accordance with the revised accounting policies. Earnings per share were US¢0.36 in 2003, compared with US¢1.84 in 2002, as restated.

In view of the adverse impact of events on the 2003 results and the Group's current investment programme, the Directors are not recommending a dividend be paid.

The Group's financial statements record leasehold hotel properties at depreciated cost as required by IFRS and no longer incorporate supplementary financial information modified to include leasehold properties at valuation. The inclusion of leasehold properties at valuation in the financial statements for 2003 would have increased shareholders' funds by US\$375 million to US\$975 million.

DEVELOPMENTS

The opening of the Group's new 251-room hotel in New York in late November was an important milestone in the Group's development strategy. The hotel is positioned as one of the finest luxury hotels in the city and has been well-received. Opening of the Group's new 400-room hotel in Washington D.C. will follow in spring 2004, and the new hotels in Hong Kong (opening 2005), Tokyo (opening 2006) and Boston (opening 2006) remain on schedule. Recently, the Group has announced it will manage two luxury resorts under construction in Thailand and Mexico. In addition, during 2003, the Group announced it will manage and provide luxury services to the condominiums adjacent to its new hotels in New York and Boston. These condominiums will be branded as *The Residences at Mandarin Oriental*.

In December, the Group purchased a further 46.3% of Mandarin Oriental Hotel du Rhône, Geneva for US\$26 million, increasing its interest to 92.6%.

From 2004, the benefits of the Group's growth strategy will become more tangible as it receives contributions from its new hotels in New York and Washington D.C. Going forward, the Group's hotels in Hong Kong, London, Geneva, New York and Washington D.C. will generate more than two-thirds of the Group's total operating profit, reflecting the more balanced geographic spread of the portfolio.

OUTLOOK

In conclusion, the Chairman, Simon Keswick said, “The recovery seen during the second half of 2003 was encouraging, and in the second half of 2004 the Group will also benefit from the contribution from its new hotels in New York and Washington D.C. While travel patterns remain vulnerable to external events, Mandarin Oriental is well-positioned to benefit from an upturn in the leisure and corporate travel markets.”

GROUP CHIEF EXECUTIVE'S REVIEW

OVERVIEW

In 2003, Mandarin Oriental made progress towards achieving its vision to be recognized as one of the top global luxury hotel groups. Our brand, which reflects our oriental heritage and is built on a strong company culture of delighting guests through service excellence, is becoming increasingly well-respected and recognized as we grow our presence in key locations around the world.

Business conditions were challenging in 2003, not least because of the devastating impact that the outbreak of SARS had on travel patterns in Asia in the first half of the year which was only partially compensated for by insurance cover in place at the time. The Group responded by implementing cost containment measures at both the hotel and the corporate level, as well as introducing a number of marketing initiatives once visitors began to return. This resulted in most of the Group's hotels improving or maintaining their competitive positions in the local markets.

In development terms, 2003 was significant for the Group. In December we unveiled our new flagship property in New York to notable international acclaim. Earlier in the year we announced further hotel projects in Hong Kong and Boston, which will add to our projects in Washington D.C. and Tokyo. With 6,400 rooms now under operation and a further 1,100 rooms under development, we are well on the way to achieving our target of operating 10,000 rooms in major business centres and key leisure destinations worldwide. We also recently announced that we will manage two luxurious 'hideaway' resorts; one in Chiang Mai, Thailand and the other on the Riviera Maya in Mexico.

PERFORMANCE IN 2003

Set out below is a review of the performance of the Group in 2003, with reference to the following strategic objectives:

- Consolidate our position as one of the best global luxury hotel groups
- Improve our competitive position in each market

- Increase the number of rooms under operation to 10,000
- Leverage fully our corporate core competencies
- Ensure a strong cashflow and balance sheet

(1) Consolidate our position as one of the best global luxury hotel groups

Mandarin Oriental is well recognized as a luxury brand offering the quintessential elements of tradition, quality and innovation. We concentrate on differentiating our Group in three ways to ensure that we meet the needs of our guests. Firstly, our hotels are well located and of distinctive design with a strong sense of place. Secondly, we focus on delighting our guests with a unique service approach in keeping with our oriental roots. Thirdly, we continue to introduce highly innovative products and services.

Once again in 2003, our hotels have received a wide array of awards from respected publications and associations in recognition of service excellence. Mandarin Oriental's properties in Hong Kong, Bangkok, London, Kuala Lumpur, San Francisco and Hawaii were all listed in *Institutional Investor's* 2003 annual reader survey of the Best Hotels in the World, while eight properties were featured in *Condé Nast Traveler's* Gold List for 2003. Mandarin Oriental Hyde Park, London has retained the Michelin Star for its fine dining restaurant, *Foliage*, and in Geneva, Mandarin Oriental Hotel du Rhône's restaurant, *Le Neptune*, also retained its Michelin Star. We are particularly pleased that our newest restaurant to open, *Asiate*, has received numerous press accolades within the first few weeks of opening at Mandarin Oriental, New York.

Notable accolades have also been given to our specialized Mandarin Oriental spas in well-respected lifestyle publications around the world. The Oriental Spa in Bangkok won 'Best City Spa' in *Harpers* and *Queen Abroad* 2003; The Spa at Mandarin Oriental Hyde Park, London was voted 'Best London Spa' in *Condé Nast Traveller UK's* Travel Awards in October 2003. Kahala Mandarin Oriental, Hawaii appeared in the 'Top Five US Spas' in the summer edition of American Airlines in-flight magazine, *Celebrated Living*, while Mandarin Oriental, Miami received significant coverage in numerous lifestyle magazines throughout the United States, including *Travel and Leisure* and *Spa Finder*. Finally, our latest spa to open in Mandarin Oriental, New York has received prominent write-ups in *USA Today*; *Wallpaper*; *House Beautiful*; *Departures* and *Travel and Leisure*.

(2) Improve our competitive position in each market

Overall, most of our hotels maintained or enhanced their leadership positions against their primary competition in each marketplace. In response to the market challenges, appropriate cost containment measures and contingency plans were implemented, while we ensured the quality of service remained uncompromised. As corporate travel reduced, our marketing focus has been on attracting higher yielding leisure guests which has led to an improved revenue per available room performance, particularly in the United States and Europe.

The highlights of each region are as follows:

Asia

Most Asian markets were severely impacted by the SARS outbreak, the global response to the war in Iraq and economic uncertainties, all of which created challenging conditions.

Mandarin Oriental, Hong Kong was significantly affected by the SARS outbreak and suffered a material decline in occupancy. Recovery was seen in the second half and occupancy levels came back in line with 2002, giving an average of 53% for 2003 compared with 69% in the prior year. The hotel did well to maintain rate integrity, and the second half saw an increase in food and beverage revenues. The experience of The Excelsior was similar as overall occupancy for the year fell from 84% to 67%, but the second-half recovery was impressive with a return of occupancy levels at 84%, while rates were maintained. The hotel benefited from a further increase in visitors from the Chinese mainland, which now account for almost 20% of the hotel's total market mix.

Mandarin Oriental, Macau had a good year as strong growth in the second half enabled it to achieve an overall improvement of revenue per available room of 10%. The hotel improved its competitive positioning and increased its share of business from the growing Mainland China market.

In Manila, the revenue per available room fell by 14% due to the continuing decline in long haul arrivals, but the hotel maintained its competitive position. Mandarin Oriental, Jakarta increased its occupancy and also maintained its competitive position, but

continued to be impacted by local rate sensitivity. The Oriental, Singapore was adversely affected by the SARS outbreak which led to a significant reduction in occupancy in line with the market. However, the hotel launched a new spa in September which is being well received.

In Bangkok, The Oriental also had a tough first half, but occupancy levels began to recover in August and the hotel remained the market leader. Despite the oversupply in the market, Mandarin Oriental, Kuala Lumpur continued to outperform its competitors significantly and improved results with an increase in average rate of 8%.

Europe

The Group's results in Europe were adversely impacted as a consequence of the Iraq conflict in the early months of 2003, but showed a notable improvement as the year progressed.

Mandarin Oriental Hyde Park, London enjoyed a good year as a 13% increase in revenue per available room improved its competitive position. The gain reflected the average rate increasing to US\$537 in 2003 from US\$467 in the prior year, a 6% rise in local currency terms. In December, Mandarin Oriental purchased a further 46.3% of Mandarin Oriental Hotel du Rhône, Geneva, which increases the Group's holding to 92.6%. Occupancy levels in the hotel declined in 2003, but it did well to improve its competitive position given the significant reduction in travel within the corporate and financial services sectors.

Occupancy at the hotel in Munich increased from 78% to 81% with a slight average rate increase in local currency terms. The hotel remains the market leader amongst its competitive set.

The Americas

Results from the Group's properties in The Americas were mixed. The market remained highly competitive in New York and The Mark experienced a 5% drop in occupancy and the average rate fell by 6%. Occupancy did, however, improve in the second half as the hotel was successful in attracting more leisure guests, increasing this segment by over

40%. Kahala Mandarin Oriental, Hawaii performed well as it increased occupancy by 8% to 68% and average rate by 3%. The recently opened spa suites continue to be met with great acclaim, and a new restaurant concept, the *Cabanas Seaside Grill*, has been well received. The resort in Bermuda was badly impacted by the hurricane which hit the island in the summer. Nevertheless, its renovation plans are proceeding in 2004; including the upgrade of 50% of the garden and beachfront cottages and the introduction of the spa suites concept.

Mandarin Oriental, Miami performed well in 2003 as occupancy increased by 21% to 57% and the average rate rose from US\$259 in 2002 to US\$284 in 2003. Food and beverage revenues were also higher and the hotel's successful spa has enjoyed a 60% increase in revenues. Mandarin Oriental, San Francisco continued to be impacted by reduced visitor arrivals to the city, but did well to increase occupancy by 7% to 61% in 2003 and to achieve one of the highest average rates in the city.

Mandarin Oriental, New York opened at the end of 2003 to great acclaim and its performance has been encouraging. The initial results will be impacted by opening expenses, but as the hotel stabilizes its contribution to the Group will be significant. The associated development will also contain residential units that will be branded and serviced by Mandarin Oriental, New York.

The Group ceased to manage the Turnberry Isle resort in Florida at the end of 2003, and its 12.6% interest was sold as part of the transaction to acquire the controlling interest in Mandarin Oriental Hotel du Rhône, Geneva.

(3) Increase the number of rooms under operation to 10,000

We are moving steadily towards our goal of at least 10,000 rooms in significant city and resort destinations around the world, despite the subdued global environment leading to limited new supply. With 6,400 rooms under operation and a further 1,100 rooms under development, we are achieving our aim of geographic diversification. The Group is complementing its development strategy with the introduction of 'hideaway' resorts and *The Residences at Mandarin Oriental*.

Mandarin Oriental, Washington D.C.

Due to open in spring 2004, the Washington property has been designed to establish itself as the leader amongst the city's luxury hotels. The hotel will feature 400 guest rooms and suites and enjoy a unique waterfront setting close to the museums and monuments of this important city.

The Landmark Mandarin Oriental, Hong Kong

This intimate luxury hotel is being developed in the heart of Hong Kong's fashion, entertainment and shopping district. Due to open in late 2005, the 114-room property will be a component of The Landmark redevelopment, one of Hong Kong's most successful mixed-use commercial complexes. Contemporary in style, the new property will complement the Group's legendary flagship hotel, Mandarin Oriental, Hong Kong, with its classic, Chinese-influenced elegance.

Mandarin Oriental, Boston

A luxurious 149-room hotel is being developed as part of a premier mixed-use complex in the heart of Boston. Opening in 2006, the development will also house residential units that will be branded and serviced by Mandarin Oriental.

Mandarin Oriental, Tokyo

Also opening in 2006, the hotel will occupy the top ten floors of a new 41-storey building, located in central Tokyo. Close to the financial districts and the shopping district in Ginza, Mandarin Oriental, Tokyo's 182 guestrooms and suites and the sky lobby will offer panoramic views of the Imperial Palace and its gardens.

The Residences at Mandarin Oriental

Mandarin Oriental has launched *The Residences at Mandarin Oriental* offering the owners of luxury condominiums attached to the New York and Boston hotels custom-made services and amenities and the same attentive service received by the hotel guests. The Group will receive a branding fee from each project and ongoing fees for the services provided by the hotels.

Mandarin Oriental Hideaway Resorts

Two projects are under development that will introduce guests of Mandarin Oriental to a luxurious 'hideaway' experience. Designed to appeal to internationally sophisticated travellers, these exclusive retreats will provide an all-encompassing approach to relaxation and rejuvenation. Mandarin Oriental Dhara Dhevi, Chiang Mai, spread over 35 hectares of serene landscapes in Northern Thailand, will feature 142 villas and over-sized suites, and is due to open at the end of 2004. Mandarin Oriental Riviera Maya, Mexico will be an exclusive resort set in the secluded Riviera Maya coastline, south of Cancun, Mexico. Due to open in 2005, this luxurious development will feature 128 villas each with outstanding views.

Of the six new projects currently under development, four are management contracts with limited or no equity investment. The Group continues to review carefully potential new projects in key locations around the world.

(4) Leverage fully our corporate core competencies

Mandarin Oriental's ability to increase the number of management contracts is dependent upon our capabilities as a management company. Our management resources have been designed to support the needs of our hotels and are aligned to the Group's unique style. We have developed significant proficiency in hotel design and state-of-the-art technology for both back-of-house operations and guest entertainment. Global sales, marketing and communications expertise is available, and human resource programmes, focusing on best practice in recruitment, training and recognition of colleagues, ensure that guests are served at a consistently high standard. Our expertise in the development and operation of spa concepts and fine-dining options is also well recognized.

(5) Ensure a strong cashflow and balance sheet

Mandarin Oriental's financial well-being remains fundamental to our success. The challenges posed by the outbreak of SARS in Asia, the hostilities in Iraq and the overall economic uncertainty, had a detrimental impact on our results and required the Group to reduce costs at the hotel and corporate levels as well as to postpone capital expenditure. In 2003, the Group had a negative cashflow, before financing activities, of US\$56 million. This includes the investment of US\$69 million relating to our new developments in New

York and Washington D.C. as well as the acquisition of a controlling interest in Geneva. Nevertheless, our balance sheet remains sound, and in the second half of 2003 we refinanced a total of US\$340 million of debt at competitive pricing, increasing the average tenor of our loans to five years.

Going forward, the Group should benefit from the more diverse geographic spread of the portfolio.

THE FUTURE

The last few months of 2003 were encouraging and point to recovery in some markets, particularly in the United States. Mandarin Oriental's brand presence is growing ever stronger and in 2004, we are poised to see an increase in earnings, principally from the contribution of our new hotels in New York and Washington D.C. As we continue to focus on delighting each and every guest, we are closer to achieving our goal of being recognized as one of the world's best luxury hotel groups.

Edouard Ettetdgui

Group Chief Executive

24th February 2004

Mandarin Oriental International Limited
Consolidated Profit and Loss Account
for the year ended 31st December 2003

	2003	Restated
	US\$m	2002 US\$m
Revenue (<i>note 2</i>)	218.1	233.7
Cost of sales	(147.5)	(142.9)
Gross profit	70.6	90.8
Selling and distribution costs	(16.2)	(16.8)
Administration expenses	(41.0)	(36.3)
Other operating income (<i>note 3</i>)	16.0	-
Operating profit (<i>note 3</i>)	29.4	37.7
Net financing charges	(23.8)	(24.9)
Share of results of associates and joint ventures (<i>note 4</i>)	(0.8)	8.0
Profit before tax	4.8	20.8
Tax (<i>note 5</i>)	(2.8)	(5.3)
Profit after tax	2.0	15.5
Profit attributable to shareholders	3.1	15.7
Loss attributable to minority interests	(1.1)	(0.2)
	2.0	15.5
	US¢	US¢
Earnings per share (<i>note 6</i>)		
- basic and diluted	0.36	1.84

Mandarin Oriental International Limited
Consolidated Balance Sheet
at 31st December 2003

	2003	Restated
	US\$m	2002
		US\$m
Net assets		
Goodwill	18.0	22.0
Tangible assets (<i>note 7</i>)	687.1	512.3
Leasehold land payments	193.4	187.6
Associates and joint ventures	240.2	271.2
Other investments	18.2	26.3
Pension assets	13.3	14.0
Deferred tax assets	6.4	4.1
	<hr/>	<hr/>
Non-current assets	1,176.6	1,037.5
Stocks	2.1	2.4
Debtors and prepayments	44.9	36.8
Cash at bank	66.1	65.9
	<hr/>	<hr/>
Current assets	113.1	105.1
Creditors and accruals	(63.2)	(53.0)
Borrowings (<i>note 8</i>)	(7.3)	(8.0)
Current tax liabilities	(6.8)	(6.5)
	<hr/>	<hr/>
Current liabilities	(77.3)	(67.5)
Net current assets	35.8	37.6
Long-term borrowings (<i>note 8</i>)	(584.9)	(483.0)
Deferred tax liabilities	(9.4)	(8.4)
Pension liabilities	(1.2)	(0.8)
Other non-current liabilities	(4.1)	(5.4)
	<hr/>	<hr/>
	612.8	577.5
Total equity		
Share capital	42.6	42.6
Share premium	88.7	88.7
Revenue and other reserves	468.4	436.6
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Shareholders' funds	599.7	567.9
Minority interests	13.1	9.6
	<hr/>	<hr/>
	612.8	577.5
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Mandarin Oriental International Limited
Consolidated Statement of Changes in Equity
for the year ended 31st December 2003

	2003 US\$m	Restated 2002 US\$m
At 1st January		
- as previously reported	616.6	571.0
- effect of adopting IAS 16 (Revised) net of tax	(39.1)	(36.2)
	<hr/>	<hr/>
- as restated	577.5	534.8
Attributable to minority interests	(9.6)	(4.5)
	<hr/>	<hr/>
	567.9	530.3
Revaluation of properties		
- net revaluation surplus	2.0	-
Net exchange translation differences		
- amounts arising in year	25.3	23.2
Fair value gains on financial assets	0.1	0.5
Cash flow hedges		
- fair value gains/(losses)	1.5	(1.0)
	<hr/>	<hr/>
Net gains recognized directly in equity	28.9	22.7
Profit after tax	2.0	15.5
	<hr/>	<hr/>
Total recognized profit	30.9	38.2
Attributable to minority interests	0.9	(0.6)
	<hr/>	<hr/>
	31.8	37.6
Dividends (<i>note 11</i>)	-	-
	<hr/>	<hr/>
At 31st December	599.7	567.9
	<hr/>	<hr/>
Total equity	612.8	577.5
Attributable to minority interests	(13.1)	(9.6)
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Shareholders' funds	599.7	567.9
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Mandarin Oriental International Limited
Consolidated Cash Flow Statement
for the year ended 31st December 2003

	2003 US\$m	Restated 2002 US\$m
Operating activities		
Operating profit	29.4	37.7
Depreciation	21.6	17.7
Amortization of leasehold land payments	0.4	0.4
Amortization of goodwill	1.3	1.3
Non-cash items	1.0	(5.0)
Decrease in working capital	1.6	2.8
Provision for guarantee paid	(4.6)	-
Interest received	0.7	1.0
Interest and other financing charges paid	(24.2)	(24.5)
Tax paid	(4.3)	(3.1)
	22.9	28.3
Dividends from associates and joint ventures	5.4	5.2
Cash flows from operating activities	28.3	33.5
Investing activities		
Purchase of tangible assets	(79.1)	(62.5)
Tax increment financing (note 9)	3.6	29.4
Purchase of a subsidiary (note 10)	(22.6)	-
Investments in and loans to associates and joint ventures	(3.7)	(47.8)
Loan to other investments	(1.4)	-
Increase in other investments	(0.8)	(0.5)
Purchase of minority interests	(0.3)	(0.5)
Leasehold land premium payments	-	(0.3)
Proceeds on disposal of other investments	12.7	-
Repayment of loan to associates and joint ventures	6.9	4.0
Proceeds on disposal of tangible assets	-	2.1
Cash flows from investing activities	(84.7)	(76.1)
Financing activities		
Drawdown of borrowings	78.5	32.6
Repayment of borrowings	(23.2)	(8.7)
Dividends paid by the Company (note 11)	-	-
Capital contribution from minority interests	0.3	5.0
Cash flows from financing activities	55.6	28.9
Effect of exchange rate changes	1.0	0.9
Net increase/(decrease) in cash and cash equivalents	0.2	(12.8)
Cash and cash equivalents at 1st January	65.8	78.6
Cash and cash equivalents at 31st December	66.0	65.8

Mandarin Oriental International Limited
Notes

1. ACCOUNTING POLICIES AND BASIS OF PREPARATION

The financial information contained in this announcement has been based on the audited results for the year ended 31st December 2003 which have been prepared in conformity with International Financial Reporting Standards, 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 2003), 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.

1. ACCOUNTING POLICIES AND BASIS OF PREPARATION (Continued)

The Group has adopted early IAS 16 (Revised 2003) Property, Plant and Equipment. This revised standard now 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 an asset 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, which were previously included within the cost of buildings, have been identified as a separate component of tangible fixed assets as their useful economic lives for depreciation purposes are substantially different from the building core and a retrospective adjustment has been made to reflect the new policy.

The effect of this change is tabulated below:

	2003	2002
	US\$m	US\$m
Current year		
Increase in cost of sales	3.8	2.4
Decrease in share of associates and joint ventures	1.3	0.8
	5.1	3.2
Increase in deferred tax assets	(0.3)	(0.3)
Increase in minority interests	(0.1)	(0.1)
Decrease in profit	4.7	2.8
Accumulated effect on 1st January		
Decrease in tangible assets	35.8	33.4
Decrease in associates and joint ventures	6.9	6.1
Increase in deferred tax assets	(3.6)	(3.3)
Increase in minority interests	(1.3)	(1.2)
Decrease in shareholders' funds	37.8	35.0

1. ACCOUNTING POLICIES AND BASIS OF PREPARATION (Continued)

The Directors have also reviewed the useful economic lives and residual values of the building core of each property, and the change is accounted for prospectively from 1st January 2003. The effect on the current year is to increase depreciation expense by US\$5.1 million and to decrease the net profit by US\$4.4 million.

Other than described above, there have been no changes to the accounting policies described in the 2002 annual financial statements.

2. REVENUE

	2003	2002
	US\$m	US\$m
<i>By geographical area:</i>		
Hong Kong & Macau	101.5	122.4
Southeast Asia	26.3	26.8
Europe	59.3	52.4
The Americas	31.0	32.1
	218.1	233.7

3. OPERATING PROFIT

	2003	2002
	US\$m	US\$m
<i>By geographical area:</i>		
Hong Kong & Macau	21.0	22.3
Southeast Asia	(0.2)	2.6
Europe	9.4	9.2
The Americas	(0.8)	3.6
	29.4	37.7

The following items have been credited in arriving at operating profit:

Insurance claims for losses arising on business interruption caused by the outbreak of SARS	16.0	-
Release of provision relating to development cost of Mandarin Oriental, Washington D.C.	-	4.9

4. SHARE OF RESULTS OF ASSOCIATES AND JOINT VENTURES

	2003	2002
	US\$m	US\$m
<i>By geographical area:</i>		
Hong Kong & Macau	2.2	2.3
Southeast Asia	3.4	4.5
Europe	0.5	1.8
The Americas	(6.9)	(0.6)
	(0.8)	8.0

Results are shown after tax, and after amortization of goodwill.

5. TAX

	2003	2002
	US\$m	US\$m
Current tax	4.4	5.7
Deferred tax	(1.6)	(0.4)
	2.8	5.3

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 credit of US\$1.0 million (2002: tax credit of US\$0.8 million).

6. EARNINGS PER SHARE

Basic earnings per share are calculated on profit attributable to shareholders of US\$3.1 million (2002: US\$15.7 million) and on the weighted average number of 851.5 million (2002: 851.5 million) shares in issue during the year. The weighted average number excludes shares held by the Trustee under the Senior Executive Share Incentive Schemes.

Diluted earnings per share are calculated on the weighted average number of 851.5 million (2002: 851.5 million) 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 year. The convertible bonds are anti-dilutive and therefore are ignored in calculating diluted earnings per share.

	Ordinary shares in millions	
	2003	2002
Weighted average number of shares in issue	851.5	851.5
Adjustment for shares deemed to be issued for no consideration under the Senior Executive Share Incentive Schemes	-	-
Weighted average number of shares for diluted earnings per share	851.5	851.5

The Directors consider funds from operations ('FFO') to be a supplemental measure of the Group's performance and believe this should be considered along with, but not as an alternative to, profit attributable to shareholders as a measure of the operating performance.

FFO is defined as profit attributable to shareholders excluding depreciation of hotel buildings, net of relevant deferred tax and minority interests.

	2003		2002	
	US\$m	Per share US¢	US\$m	Per share US¢
Profit attributable to shareholders	3.1	0.36	15.7	1.84
Depreciation of buildings, net of deferred tax and minority interests	9.1	1.07	2.8	0.33
Funds from operations	12.2	1.43	18.5	2.17

7. TANGIBLE ASSETS AND CAPITAL COMMITMENTS

	2003	2002
	US\$m	US\$m
Opening net book value		
-as previously reported	548.1	491.7
-effect of adopting IAS 16 (revised)	(35.8)	(33.4)
-as restated	512.3	458.3
Exchange rate adjustments	31.9	27.9
Acquisition of a subsidiary (<i>refer note 10</i>)	85.7	-
Additions	79.0	45.9
Disposals	(0.2)	(2.1)
Depreciation	(21.6)	(17.7)
Closing net book value	687.1	512.3
Capital commitments	45.4	109.9

Tangible assets include a property under development of US\$102.8 million (2002: US\$32.2 million), which is stated net of tax increment financing of US\$33.0 million (2002: US\$29.4 million) (*refer note 9*).

8. BORROWINGS

	2003	2002
	US\$m	US\$m
Bank loans	500.1	408.7
6.75% convertible bonds	74.1	72.7
Other borrowings	8.3	-
Finance lease	8.0	7.9
Tax increment financing (<i>refer note 9</i>)	1.7	1.7
	592.2	491.0
Current	7.3	8.0
Long-term	584.9	483.0
	592.2	491.0

9. TAX INCREMENT FINANCING

	2003	2002
	US\$m	US\$m
Netted off against the net book value in respect of a property under development (<i>refer note 7</i>)	33.0	29.4
Loan (<i>refer note 8</i>)	1.7	1.7
	34.7	31.1

In relation to the Mandarin Oriental, Washington D.C., a development agreement was entered into with the District of Columbia ('District'), by one of the Group's subsidiaries, pursuant to which the District agreed to provide certain funds to the subsidiary out of net proceeds obtained through the issuance and sale of certain tax increment financing bonds ('TIF Bonds') for the development and construction of a 400 room luxury hotel.

The District agreed to contribute to the subsidiary US\$33.0 million through the issuance of TIF Bonds in addition to US\$1.7 million issued in the form of a loan, bearing simple interest at an annual rate of 6.0%. The US\$1.7 million loan plus all accrued interest will be due on the earlier of 10th April 2017 or the date of the consummation of the first sale of the hotel.

The receipt of the TIF Bonds of US\$33.0 million (2002: US\$29.4 million) has been treated as a government grant and netted off against the net book value in respect of the property under development (*refer note 7*). The loan of US\$1.7 million (2002: US\$1.7 million) is included in long-term borrowings (*refer note 8*).

10. PURCHASE OF A SUBSIDIARY

	2003
	US\$m
Tangible assets (<i>refer note 7</i>)	85.7
Leasehold land premium	6.2
Borrowings	(27.3)
Other assets and liabilities	0.4
Minority interests	(4.7)
Fair value of net assets	60.3
Negative goodwill	(2.7)
Transfer from associates	(31.2)
Total consideration	26.4
Cash and cash equivalents of subsidiary acquired	(3.8)
Net cash outflow	22.6

Total consideration of US\$26.4 million relates to the acquisition of an additional 46.3% interest in the Geneva hotel which became a subsidiary hotel in December 2003.

11. DIVIDENDS

No interim dividend has been paid and no final dividend is proposed by the Board in respect of 2003. There were no dividends paid in respect of 2002.

- end -

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Full text of the Preliminary Announcement of Results and the Preliminary Financial Statements for the year ended 31st December 2003 can be accessed through the Internet at 'www.mandarinoriental.com'.

NOTES TO EDITORS

Mandarin Oriental Hotel Group is an international hotel investment and management group with a portfolio of 24 deluxe and first class hotels and resorts worldwide including six under development in Washington D.C., Hong Kong, Chiang Mai in Thailand, Riviera Maya in Mexico, Tokyo and Boston. The Group has equity interests in many of its properties and net assets of approximately US\$1 billion at 31st December 2003. Mandarin Oriental's properties represent some 7,500 rooms in 12 countries with 12 hotels in Asia, nine in The Americas and three in Europe.

The parent company, Mandarin Oriental International Limited, is incorporated in Bermuda, listed in London, Singapore and Bermuda. 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 recognized 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 maximizing 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.