news release

Mandarin Oriental International Limited

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MANDARIN ORIENTAL
THE HOTEL GROUP SM

To: Business Editor

6th March 2007
For immediate release

The following announcement was today issued to a Regulatory Information Service approved by the Financial Services Authority in the United Kingdom.

MANDARIN ORIENTAL INTERNATIONAL LIMITED
2006 PRELIMINARY ANNOUNCEMENT OF RESULTS

Highlights

- Mandarin Oriental, Hong Kong renovation completed
- 14 hotels under development
- Gain from disposal of The Mark, New York

"Overall market demand is expected to remain strong in 2007 with limited new hotel supply in most destinations. The Group's results will also gain significantly from the contribution of the newly renovated Hong Kong hotel. Over the longer term, the Group will benefit from the opening of the many hotels currently under development."

Simon Keswick, *Chairman*
6th March 2007

Results

	Year ended 31st December		
	2006 **US$m**	2005 US$m	Change %
Combined total revenue of hotels under management	**850.3**	815.4	+4
Earnings before interest, tax, depreciation and amortization(1)	**116.4**	124.0	–6
Profit attributable to shareholders – excluding gain on disposal	**45.0**	41.1	+9
Profit attributable to shareholders	**80.0**	77.2	+4
Funds from operations(2)	**92.6**	90.4	+2
	US¢	US¢	%
Earnings per share – excluding gain on disposal	**4.66**	4.33	+8
Earnings per share	**8.28**	8.14	+2
Funds from operations per share(2)	**9.58**	9.53	+1
Dividend per share	**3.00**	1.50	+100
	US$	US$	%
Net asset value per share	**1.03**	0.87	+18
Net asset value per share with leasehold properties at valuation(3)	**1.78**	1.50	+19

(1) EBITDA does not include gains on disposal and the impact of property revaluations.
(2) Funds from operations ('FFO') figures have been presented to provide additional information to investors to facilitate comparison with other hotel companies 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.
(3) 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 land to be carried at valuation. The Group considers that the IFRS treatment does not reflect the economic substance of its underlying property investments. 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.

The final dividend of US¢3.00 per share will be payable on 16th May 2007, subject to approval at the Annual General Meeting to be held on 9th May 2007, to shareholders on the register of members at the close of business on 23rd March 2007. The ex-dividend date will be on 21st March 2007, and the share registers will be closed from 26th to 30th March 2007, inclusive.

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MANDARIN ORIENTAL INTERNATIONAL LIMITED

PRELIMINARY ANNOUNCEMENT OF RESULTS
FOR THE YEAR ENDED 31ST DECEMBER 2006

OVERVIEW

The continued improvement in key markets led to enhanced results for most of the Group's hotels and helped offset the impact on earnings arising from the nine month closure for renovation of its Hong Kong flagship property. The Group's development strategy also made good progress with 14 hotels now under development, compared with eight at the same time last year. The Group's financial position was strengthened further with significant gains realized on asset disposals.

PERFORMANCE

Earnings before interest, tax, depreciation and amortization for 2006 were US$116 million compared with US$124 million in 2005, when Mandarin Oriental, Hong Kong was open throughout the year.

Profit attributable to shareholders in 2006 was US$80 million, including a post-tax gain of US$35 million on the sale of The Mark hotel in New York. This compares with US$77 million in the previous year, which included a US$36 million gain arising from the disposal of the Group's property interest in Hawaii. Excluding gains on disposals, profit attributable to shareholders in 2006 was US$45 million compared with US$41 million in 2005.

Earnings per share for the year were US¢8.28 compared with US¢8.14 in 2005. Excluding gains on disposals, 2006 earnings per share were US¢4.66 compared with US¢4.33 per share in 2005.

The Directors are recommending an increased dividend of US¢3.00 per share compared with US¢1.50 per share in 2005.

The net asset value per share with leasehold properties adjusted for fair market value was US$1.78 at 31st December 2006, compared with US$1.50 at 31st December 2005.

GROUP REVIEW

Strong results from the Group's owned hotels offset the losses arising at Mandarin Oriental, Hong Kong during its closure for renovation. Since re-opening in late September 2006, the hotel has achieved a 50% increase in its average room rate compared to the same period in 2005. The Excelsior, Hong Kong and the Group's European properties performed well, benefiting from higher room rates and increases in occupancy. The contribution from the Tokyo hotel also improved significantly as its 2005 results had included pre-opening costs.

The contribution to operating results from associates and joint ventures rose, largely due to strong performances at the hotels in Singapore and New York.

The Group completed the sale of The Mark hotel in New York in February 2006, realizing a gain of US$35 million. In December 2006, the Group announced the sale of half of its 50% investment in Mandarin Oriental, New York, which was completed in March 2007. The gain of some US$16 million arising on the sale will be recognized in the Group's 2007 results. Mandarin Oriental will continue to manage the hotel under an enhanced long-term contract.

DEVELOPMENTS

Mandarin Oriental now has 9,500 rooms in operation or planned as it continues to expand as one of the world's leading luxury hotel brands. The Group has 20 hotels in operation and a further 14 under development, of which four are in Greater China, including the Group's recently announced projects in Guangzhou and Taipei.

The Group opened its latest hotel in Prague in September 2006, and in 2007 has plans to open resort properties on the Riviera Maya, Mexico and Hainan Island, China.

In September 2006, agreement was reached to brand and manage 80 luxury residences in a new development to be built adjacent to the Group's London hotel. *Residences at Mandarin Oriental* will also be included in a further seven of the 14 hotels currently under development.

OUTLOOK

In conclusion, the Chairman, Simon Keswick said, "Overall market demand is expected to remain strong in 2007 with limited new hotel supply in most destinations. The Group's results will also gain significantly from the contribution of the newly renovated Hong Kong hotel. Over the longer term, the Group will benefit from the opening of the many hotels currently under development."

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GROUP CHIEF EXECUTIVE'S REVIEW

PROGRESS ACHIEVED

A number of significant accomplishments in 2006 have resulted in Mandarin Oriental moving closer to its goal of being recognized as the world's best luxury hotel group.

Firstly, the Group benefited from strong market conditions in our key locations and from the enhanced contributions of our growing and geographically-diversified portfolio. Indeed, overall financial results for the year were comparable with 2005, despite the loss of revenues from the Group's 100%-owned Mandarin Oriental, Hong Kong, which successfully re-opened in September 2006 following a nine-month closure for renovation.

Secondly, Mandarin Oriental's international expansion continued to accelerate in 2006 with the opening of its latest hotel in Prague and the announcement of five new management contracts. In the first two months of 2007, three further projects have been announced for luxury hotels in Paris, Guangzhou and Taipei. During the year, the Group also announced its first European *Residences at Mandarin Oriental*, adjacent to our London hotel. The Group now comprises a portfolio of 20 hotels with a further 14 under development giving a total of 9,500 rooms in 20 countries.

Finally, the Group continued to benefit from gains realized on selective disposals within its portfolio of hotel investments. Responding to exceptional market conditions in New York, the Group completed the sale of its 100% interest in The Mark in February 2006. This was followed by the announcement in December 2006 of the sale of half of the Group's 50% equity in Mandarin Oriental, New York. The sale was completed in March 2007 and the gain will be recognized in the 2007 results.

PERFORMANCE IN 2006

Set out below is a review of the Group's performance in 2006, with reference to the following strategic objectives:

- Improving continuously our position as one of the world's best luxury hotel groups
- Strengthening our competitive position
- Increasing the number of rooms under operation to 10,000
- Achieving a strong financial performance

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1. **Improving continuously our position as one of the world's best luxury hotel groups**

Mandarin Oriental is enjoying increasing recognition for creating many of the world's most desirable luxury hotels, providing its guests with 21st century luxury combined with oriental charm. From our roots in the heart of Asia, where most of our original properties have benefited from renovations in recent years and remain market leaders, Mandarin Oriental has expanded into the global arena, with award-winning properties in some of the world's most sought-after locations.

Across the world, the Group remains focused on delivering the brand attributes which define our own style of luxury. This includes creative hotel design and architecture, expertise in holistic spa operations, innovative dining experiences, guest-orientated technology and, of course, the legendary service which remains the foundation of everything we do. The investment behind our brand and our people over the past few years has led to the Group becoming well respected as a management company amongst the owners and developers of luxury hotels around the world. During the year, both the Group and our individual hotels received an impressive array of awards from respected publications and associations, as well as widespread media coverage. Here are a few highlights:

In the 2006 *Readers Choice Awards in Condé Nast Traveler US*, ten Mandarin Oriental hotels were featured – the highest number of Mandarin Oriental hotels ever to appear in one edition, and covering half of our total portfolio.

In *Institutional Investor's* annual ranking, Mandarin Oriental had nine hotels listed in the top 100 World's Best Hotels, including Mandarin Oriental, Washington D.C. and The Oriental, Bangkok in first and second place respectively.

The Group was again well recognized in 2006 for its spa operations, being awarded *'Favourite Brand'* by *Spa Finder* in the US with eight hotels listed in top categories, and *'Best Wellness and Spa Company'* by *Spa Asia*, with four individual hotel spas winning in a variety of categories.

Finally, *The Asian Wall Street Journal's* listing of the top 200 Asia-based companies, listed Mandarin Oriental Hotel Group in second position as *'Hong Kong's Most Admired Companies by Quality'*.

Such strong brand recognition allows our properties to achieve premium rates and compete effectively in all our destinations.

2. Strengthening our competitive position

Being market leaders within their local environment is a key goal for each of our hotels, and 2006 was a positive year for our competitive positioning. As demand for luxury travel experiences continued to grow, our hotels performed well with increased Revenue Per Available Room (RevPAR) achieved across all regions, largely due to stronger average room rates. The year saw Asia up 18%, Europe up 21% and The Americas up 10% over 2005 (excluding the effect of new and renovated hotels in the period). Consequently, operating profits at the individual hotels have shown significant improvement over the previous year.

The highlights of each region are as follows:

Asia

The closure of Mandarin Oriental, Hong Kong for the first nine months of 2006 while undergoing a major renovation, had a negative impact on the Group's results. The renovation was designed to secure its position as one of the world's legendary hotels and it re-opened in late September to great acclaim from international travellers and the local community alike. In the last quarter, it achieved an average rate of over US$400, a 50% increase over the same period in 2005. The hotel's re-designed restaurants and bars were well received and have performed above expectations.

Following the re-opening of Mandarin Oriental, Hong Kong, the Group now operates two luxury hotels within the city. The Landmark Mandarin Oriental, Hong Kong, which complements the Group's original flagship property, has established itself as a contemporary, lifestyle hotel. In its first full year of operation, this 113-room hotel achieved an average rate of US$413 at an occupancy of 81%, representing an increased RevPAR of 42% over 2005.

The Excelsior, Hong Kong achieved a 21% increase in RevPAR compared to 2005, as a result of strengthening room rates, up from an average of US$133 to US$159 in 2006, with strong demand from all market segments. The Excelsior's food and beverage revenues were also up 10% above 2005 levels.

In Macau, Mandarin Oriental continued to perform well within its competitive set, with a 12% increase in average rate, and is well positioned to take full advantage of this burgeoning market.

Southeast Asia benefited from improvement in the underlying economies, particularly in The Philippines where Mandarin Oriental, Manila achieved a 31% increase in RevPAR over 2005. In Singapore, the re-positioning of the hotel following a full-scale renovation in 2005, combined with better market conditions, resulted in a 58% increase in RevPAR over the previous year.

Celebrating its 130th anniversary in 2006, The Oriental, Bangkok once again significantly outperformed the market and appeared in the top listings of the most important world-wide travel awards, confirming its legendary status.

In its first full year of operations, the 179-room Mandarin Oriental, Tokyo focused on positioning itself as one of the top luxury hotels in the city, and achieved an average room rate of US$470. In April 2006, *Forbes* magazine listed Mandarin Oriental Tokyo as one of the *'Best New Hotels'* in the World.

Europe

In Europe, our hotels benefited from a strong demand for luxury accommodation, particularly from the leisure market, and a limited new supply of hotel rooms, which drove increases in room rates. Mandarin Oriental Hyde Park, London, performed well against its competition achieving an average rate of US$736, a 14% increase over the previous year while occupancy rose from 77% to 85%. Mandarin Oriental, Munich remained the undisputed market leader and attained RevPAR growth of 21% as a result of stronger room rates. In Geneva, Mandarin Oriental improved both occupancy and room rate, resulting in a 14% increase in RevPAR over the previous year.

The Americas

In its second full year of operation, Mandarin Oriental, Washington D.C. further established its position as one of the city's most luxurious properties, achieving the '*Best Hotel in the World'* award in the annual *Institutional Investor* hotel ranking, as well as receiving the *American Automobile Association's 'Five Diamond Award'* for its signature restaurant, *CityZen*. Occupancy was impacted by less citywide activity in 2006, however, the average rate strengthened to US$301, up from US$290 in the previous year.

Mandarin Oriental, New York continued to receive many accolades in 2006 as one of the best hotels in The Americas. It is one of only a handful of hotels to receive both the prestigious *'Mobil Five Star'* and the *American Automobile Association's 'Five Diamond Lodgings Awards'*. The Spa has also been awarded the *'Mobil Five Star'*. The hotel outperformed its competition in 2006, achieving an occupancy of 75% at an average room rate of US$824, giving an overall increase in RevPAR of 23% over the previous year.

While the Group announced in December 2006 that it has sold half of its interest in Mandarin Oriental, New York, we continue to own 25% of the hotel and have secured enhanced terms for our long term management of the property.

The Group's other hotels in The Americas benefited from the general increase in luxury travel across all markets.

3. Increasing the number of rooms under operation to 10,000

The development of Mandarin Oriental's brand accelerated in 2006 and we are confident of reaching our goal to operate at least 10,000 rooms in major cities and resort destinations around the world within the next few years. Since February 2006, we have announced eight new Mandarin Oriental hotels in Paris, Taipei, Guangzhou, Hainan Island, Barcelona, Dallas, Marrakech and Turks & Caicos. The Group currently operates 6,500 rooms in 20 hotels, with a further 14 hotels under development. Mandarin Oriental has achieved a strong geographic diversification with 15 properties in Asia, 12 in The Americas and seven in Europe and North Africa.

With the exception of Paris, which will be operated under a long-term lease agreement, all 14 properties currently under development are management contracts requiring limited capital from the Group. This is a clear indication of the strength of our brand and the fees generated by our management activity will be a significant source of our future revenue growth. At the same time, we are well positioned to take advantage of investment opportunities that arise in strategic locations. The Group remains a significant owner of hotel properties, particularly in major cities, and benefits from the long-term capital appreciation such assets normally provide. Ownership also ensures the continuing control of our brand heritage and gives us increased credibility with third party hotel developers. Overall, the operation of both owned and managed hotels remains an essential strategy of the Group.

The growth of the Group's portfolio of *Residences at Mandarin Oriental* continues, with many of the new hotels under development including a residential component. The luxury development adjacent to Mandarin Oriental Hyde Park, London, announced in 2006, will house some of the world's most sophisticated apartments, serviced by Mandarin Oriental, and add services and amenities that will benefit our hotel's guests and enhance the hotel's value.

4. Achieving a strong financial performance

Mandarin Oriental achieved a strong financial performance in 2006, with the improved results of the Group's growing international portfolio offsetting the impact of the nine-month closure of the Group's 100%-owned Mandarin Oriental, Hong Kong. Excluding gains from disposals, profit attributable to shareholders in 2006 was US$45 million compared to US$41 million in 2005.

The Group completed the sale of The Mark, New York in 2006 for after-tax proceeds of US$98 million, resulting in a post-tax gain of US$35 million. This resulted in an overall profit for the year of US$80 million compared to US$77 million in 2005, which had included a post-tax gain of US$36 million from the disposal of our 40% interest in a Hawaii hotel.

The Group's financial position is strong with gearing of 18% at 31st December 2006 based on adjusted shareholders' funds, down from 22% at the end of 2005. Following completion of the sale of half of our 50% interest in Mandarin Oriental, New York in March 2007, net debt was reduced by a further US$69 million, and a post-tax gain of approximately US$16 million will be recognized in 2007.

The Group's net asset value per share at 31st December 2006 was US$1.78, based on adjusted shareholders' funds, compared with US$1.50 at the end of the previous year.

THE FUTURE

In 2007, the Group will benefit from the contribution of the renovated Mandarin Oriental, Hong Kong, and the prospects for the rest of our portfolio are encouraging, given current positive trends in most of our markets.

Recognition of Mandarin Oriental as a strong global luxury brand continues to gain momentum. As we develop new and exciting hotels in strategic destinations, and enter important new markets, we are getting closer to reaching our ultimate goal of being the best luxury hotel group in the world.

Edouard Ettedgui
Group Chief Executive
6th March 2007

Mandarin Oriental International Limited
Consolidated Profit and Loss Account
for the year ended 31st December 2006

	2006	2005
	US$m	US$m
Revenue *(note 2)*	**404.6**	399.2
Cost of sales	**(267.2)**	(254.3)
Gross profit	**137.4**	144.9
Selling and distribution costs	**(27.7)**	(23.7)
Administration expenses	**(64.6)**	(60.8)
Gain on disposal of The Mark *(note 4)*	**76.8**	-
Operating profit *(note 3)*	**121.9**	60.4
Interest income	**11.0**	3.0
Financing charges	**(26.2)**	(25.4)
Net financing charges	**(15.2)**	(22.4)
Share of results of associates and joint ventures *(note 5)*	**13.0**	8.7
Gains on disposal of associates *(note 6)*	**-**	52.3
Profit before tax	**119.7**	99.0
Tax *(note 7)*	**(39.5)**	(24.8)
Profit for the year	**80.2**	74.2
Profit attributable to shareholders	**80.0**	77.2
Profit/(Loss) attributable to minority interests	**0.2**	(3.0)
	80.2	74.2

	US¢	US¢
Earnings per share *(note 8)*		
- basic	**8.28**	8.14
- diluted	**8.17**	8.07
Earnings per share - excluding gain on disposal		
- basic	**4.66**	4.33
- diluted	**4.60**	4.30

Mandarin Oriental International Limited
Consolidated Balance Sheet
at 31st December 2006

	2006 **US$m**	Restated 2005 US$m
Net assets		
Intangible assets	**216.0**	215.5
Tangible assets *(note 9)*	**882.5**	684.0
Associates and joint ventures	**190.0**	174.0
Other investments	**6.4**	5.1
Loan receivable	**12.0**	43.0
Pension assets	**27.1**	22.8
Deferred tax assets	**27.4**	9.9
Other non-current assets	**2.9**	5.5
Non-current assets	**1,364.3**	1,159.8
Stocks	**4.3**	3.1
Debtors and prepayments	**65.7**	59.0
Cash at bank	**286.7**	169.1
	356.7	231.2
Non-current asset classified as held for sale *(note 10)*	**53.9**	80.3
Current assets	**410.6**	311.5
Creditors and accruals	**(91.0)**	(80.3)
Current borrowings *(note 11)*	**(25.4)**	(8.3)
Current tax liabilities	**(4.4)**	(6.8)
	(120.8)	(95.4)
Liabilities directly associated with non-current asset classified as held for sale *(note 10)*	**-**	(14.0)
Current liabilities	**(120.8)**	(109.4)
Net current assets	**289.8**	202.1
Long-term borrowings *(note 11)*	**(575.1)**	(471.6)
Deferred tax liabilities	**(72.9)**	(49.8)
Pension liabilities	**(1.5)**	(1.7)
Other non-current liabilites	**(0.2)**	-
	1,004.4	838.8
Total equity		
Share capital	**48.4**	48.3
Share premium	**160.3**	158.8
Revenue and other reserves	**792.0**	628.0
Shareholders' funds	**1,000.7**	835.1
Minority interests	**3.7**	3.7
	1,004.4	838.8

Mandarin Oriental International Limited
Consolidated Statement of Recognized Income and Expense
for the year ended 31st December 2006

	2006	2005
	US$m	US$m
Surplus on revaluation of properties	**74.1**	35.6
Actuarial gains on defined benefit pension plans	**5.6**	0.6
Net exchange translation differences	**45.1**	(31.4)
(Loss)/Gain on cash flow hedges	**(2.9)**	11.7
Tax on items taken directly to equity	**(25.3)**	(9.8)
Net income recognized directly in equity	**96.6**	6.7
Profit for the year	**80.2**	74.2
Total recognized income and expense for the year	**176.8**	80.9
Attributable to:		
Shareholders of the Company	**176.8**	84.6
Minority interests	**-**	(3.7)
	176.8	80.9

Mandarin Oriental International Limited
Consolidated Cash Flow Statement
for the year ended 31st December 2006

	2006 US$m	2005 US$m
Operating activities		
Operating profit	**121.9**	60.4
Depreciation	**28.4**	30.0
Amortization of intangible assets	**0.3**	0.6
Non-cash items	**(74.7)**	3.0
Movements in working capital	**(1.4)**	(0.3)
Interest received	**10.5**	2.8
Interest and other financing charges paid	**(26.5)**	(26.3)
Tax paid	**(8.2)**	(13.8)
	50.3	56.4
Dividends and interest from associates and joint ventures	**12.1**	16.2
Cash flows from operating activities	**62.4**	72.6
Investing activities		
Purchase of tangible assets	**(135.5)**	(40.0)
Purchase of intangible assets	**(0.8)**	-
Investments in and loans to associates and joint ventures	**(0.2)**	(1.0)
Advance of loan receivable	**-**	(12.0)
Increase in other investments	**(1.2)**	(0.9)
Purchase of minority interests	**-**	(2.7)
Proceeds on disposal of The Mark	**98.5**	-
Proceeds on disposal of associates	**-**	95.3
Repayment of loans to an associate	**-**	4.1
Capital distribution from an associate	**1.2**	0.5
Cash flows from investing activities	**(38.0)**	43.3
Financing activities		
Issue of shares	**1.6**	0.3
Drawdown of borrowings	**113.6**	115.0
Repayment of borrowings	**(8.9)**	(116.5)
Dividends paid by the Company *(note 13)*	**(14.5)**	(9.6)
Cash flows from financing activities	**91.8**	(10.8)
Effect of exchange rate changes	**1.6**	(2.0)
Net increase in cash and cash equivalents	**117.8**	103.1
Cash and cash equivalents at 1st January	**168.8**	65.7
Cash and cash equivalents at 31st December	**286.6**	168.8

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 2006 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 financial statements have been prepared under the historical cost convention except as disclosed in the accounting policies.

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

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

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

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

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

IFRS 7	Financial Instruments: Disclosures, and the complementary amendment to IAS 1, Presentation of Financial Statements – Capital Disclosures
IFRS 8	Operating Segments
IFRIC 8	Scope of IFRS 2
IFRIC 10	Interim Financial Reporting and Impairment
IFRIC 11, IFRS 2	Group and Treasury Share Transactions

The Group will apply IFRS 7, IFRIC 8 and IFRIC 10 for annual periods beginning 1st January 2007, IFRS 8 for annual periods beginning 1st January 2009, and IFRIC 11 for annual periods beginning 1st January 2008.

2. REVENUE

	2006 **US$m**	2005 US$m
By geographical area:		
Hong Kong & Macau	**106.3**	161.5
Other Asia	**111.0**	38.3
Europe	**123.3**	106.8
The Americas	**64.0**	92.6
	404.6	399.2

3. OPERATING PROFIT

	2006 **US$m**	2005 US$m
By geographical area:		
Hong Kong & Macau	**(1.8)**	37.3
Other Asia	**9.0**	(6.4)
Europe	**28.4**	20.5
The Americas	**9.5**	9.0
	45.1	60.4
Gain on disposal of The Mark *(refer note 4)*	**76.8**	-
	121.9	60.4

4. GAIN ON DISPOSAL OF THE MARK

The sale of the Group's 100% interest in The Mark, New York was completed on 16th February 2006 for a gross consideration of US$150.0 million. The hotel was originally acquired in 2000 as part of the US$142.5 million acquisition of The Rafael Group. The pre-tax gain on this disposal is US$76.8 million, and the post-tax gain on the disposal is US$35.0 million.

5. SHARE OF RESULTS OF ASSOCIATES AND JOINT VENTURES

	2006 US$m	2005 US$m
By geographical area:		
Hong Kong & Macau	**5.0**	3.6
Other Asia	**9.3**	6.2
The Americas	**(1.3)**	(1.1)
	13.0	8.7

The Directors have reviewed the carrying values of all operating properties owned by associates and joint ventures at 31st December 2006 in consultation with the Group's independent valuers. The Group's share of the underlying net revaluation surplus of US$16.6 million has been dealt with in capital reserves (2005: net revaluation surplus of US$4.6 million to capital reserves).

6. GAINS ON DISPOSAL OF ASSOCIATES

On 8th June 2005, the Group completed the sale of its 40% investment in the partnership that leased the Kahala Mandarin Oriental hotel in Hawaii to its 60% partner, Kahala Royal Corporation ('KRC').

The Group had exercised its put option in January 2005 pursuant to its rights under its partnership agreement with KRC. On completion, the Group received a gross consideration of US$97.1 million, which included the repayment of loans to an associate of US$4.1 million. The pre-tax gain on this disposal was US$50.3 million. After utilization of brought forward US tax losses, the post-tax gain on this disposal was US$36.1 million.

In July 2005, the Group disposed of its investment in Reid Street Properties for a cash consideration of US$2.3 million resulting in a gain on disposal of US$2.0 million.

7. TAX

	2006 US$m	2005 US$m
Current tax	**50.6**	12.7
Deferred tax	**(11.1)**	12.1
	39.5	24.8

Tax on profits has been calculated at rates of taxation prevailing in the territories in which the Group operates and includes a tax charge of US$41.8 million arising on the disposal of the Group's 100% interest in The Mark, New York *(refer note 4)* .

The 2005 tax on profits included a tax charge of US$14.2 million arising on the disposal of the Group's 40% investment in Kahala Mandarin Oriental, Hawaii. This tax charge was calculated after utilizing brought forward tax losses in the United States of US$65.1 million and comprised current tax of US$2.5 million and deferred tax of US$11.7 million on temporary differences *(refer note 6)* .

8. EARNINGS PER SHARE

Basic earnings per share are calculated on profit attributable to shareholders of US$80.0 million (2005: US$77.2 million) and on the weighted average number of 966.6 million (2005: 948.9 million) shares in issue during the year. The weighted average number excludes shares held by the Trustee of the Senior Executive Share Incentive Schemes.

Diluted earnings per share are calculated on profit attributable to shareholders of US$80.0 million (2005: US$77.2 million) and on the weighted average number of 979.3 million (2005: 956.5 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 number of shares for basic and diluted earnings per share is reconciled as follows:

	Ordinary shares in millions	
	2006	2005
Weighted average number of shares in issue	**966.6**	948.9
Adjustment for shares deemed to be issued for no consideration under the Senior Executive Share Incentive Schemes	**12.7**	7.6
Weighted average number of shares for diluted earnings per share	**979.3**	956.5

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.

	2006		2005	
		Per share		Per share
	US$m	**US¢**	US$m	US¢
Profit attributable to shareholders	**80.0**	**8.28**	77.2	8.14
Depreciation of hotel buildings, net of deferred tax and minority interests	**12.6**	**1.30**	13.2	1.39
Funds from operations	**92.6**	**9.58**	90.4	9.53

9. TANGIBLE ASSETS AND CAPITAL COMMITMENTS

	2006 **US$m**	2005 US$m
Opening net book value	**684.0**	752.1
Translation differences	**52.4**	(49.1)
Additions	**129.4**	48.6
Disposals	**(0.2)**	(0.1)
Transfer (out)/in	**(0.1)**	1.9
Depreciation	**(28.4)**	(30.0)
Revaluation surplus	**45.4**	27.8
Classified as non-current asset held for sale *(refer note 10)*	**-**	(67.2)
Closing net book value	**882.5**	684.0
Capital commitments	**37.7**	152.5

The Directors have reviewed the carrying values of all properties at 31st December 2006 in consultation with the Group's independent valuers. The Directors are of the opinion that there is an increase in the fair value of all properties of US$33.7 million net of deferred tax of US$11.7 million which has been taken to capital reserves. In 2005, a surplus of US$21.3 million net of deferred tax of US$6.5 million was taken to capital reserves.

If the freehold properties and the building component of leasehold properties had been included in the financial statements at cost, the carrying value would have been US$607.5 million (2005: US$503.3 million).

Tangible assets include a property of US$110.9 million (2005: US$114.2 million), which is stated net of tax increment financing of US$30.6 million (2005: US$31.5 million) *(refer note 12)* .

10. NON-CURRENT ASSET CLASSIFIED AS HELD FOR SALE

An analysis of the non-current asset classified as held for sale is as follows:

	2006	2005
	US$m	US$m
Intangible assets	**-**	5.2
Tangible assets *(refer note 9)*	**-**	67.2
Associates and Joint Venture	**13.7**	-
Loan receivable	**31.2**	-
Deferred tax assets	**-**	1.3
Current assets	**9.0**	6.6
Total assets	**53.9**	80.3
Long-term borrowings	**-**	(11.0)
Current liabilities	**-**	(3.0)
Total liabilities	**-**	(14.0)

The Group's 25% interest in Mandarin Oriental, New York was classified as held for sale as at 31st December 2006, which amounted to total assets of US$53.9 million. The sale was completed on 1st March 2007 *(refer note 14)* .

The Group's 100% leasehold interest in The Mark, New York was classified as held for sale in 2005. At 31st December 2005, total assets and total liabilities amounted to US$80.3 million and US$14.0 million respectively. The sale was completed on 16th February 2006 for a consideration of US$150.0 million *(refer note 4)* .

11. BORROWINGS

	2006	2005
	US$m	US$m
Bank loans	**590.9**	470.4
Other borrowings	**7.9**	7.8
Tax increment financing *(refer note 12)*	**1.7**	1.7
	600.5	479.9
Current	**25.4**	8.3
Long-term	**575.1**	471.6
	600.5	479.9

12. TAX INCREMENT FINANCING

	2006 **US$m**	2005 US$m
Netted off against the net book value of property *(refer note 9)*	**30.6**	31.5
Loan *(refer note 11)*	**1.7**	1.7
	32.3	33.2

A development agreement was entered into between one of the Group's subsidiaries with the District of Columbia ('District'), 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 Mandarin Oriental, Washington D. C.

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 first sale of the hotel.

The receipt of the TIF Bonds has been treated as a government grant and netted off against the net book value in respect of the property *(refer note 9)*. The loan of US$1.7 million (2005: US$1.7 million) is included in long-term borrowings *(refer note 11)*.

13. DIVIDENDS

No interim dividend has been paid in respect of 2005 and 2006. A final dividend in respect of 2006 of US¢3.00 (2005: US¢1.50) per share amounting to a total of US$29.0 million (2005: US$14.5 million) is proposed by the Board. The dividend proposed is not accounted for until it has been approved at the Annual General Meeting. The amount will be accounted for as an appropriation of revenue reserves in the year ending 31st December 2007.

14. POST BALANCE SHEET EVENT

On 21st December 2006, the Group announced that it had entered into an agreement to sell half of its investment in Mandarin Oriental, New York. This sale reduces the Group's interest in the hotel from 50% to 25%.

Mandarin Oriental, New York is valued at US$340 million for the purposes of the sale. On disposal of its 25% interest, the Group will receive after tax proceeds of US$29 million with a post-tax gain of approximately US$16 million which will be recognized in 2007. As part of the transaction, the Group will also receive repayment of its outstanding mezzanine loan to the hotel of US$40 million, for a total proceeds of US$69 million. The sale was completed on 1st March 2007.

The Group's 25% interest in the property which is being sold was classified as non-current asset held for sale as at 31st December 2006. The Group will continue to manage the hotel under a long-term agreement.

The final dividend of US¢3.00 per share will be payable on 16th May 2007, subject to approval at the Annual General Meeting to be held on 9th May 2007, to shareholders on the register of members at the close of business on 23rd March 2007. The ex-dividend date will be on 21st March 2007, and the share registers will be closed from 26th to 30th March 2007, inclusive. Shareholders will receive their dividends in United States Dollars, unless they are registered on the Jersey branch register where they will have the option to elect for Sterling. These shareholders may make new currency elections by notifying the United Kingdom transfer agent in writing by 27th April 2007. The Sterling equivalent of dividends declared in United States Dollars will be calculated by reference to a rate prevailing on 2nd May 2007. Shareholders holding their shares through The Central Depository (Pte) Limited ('CDP') in Singapore will receive United States Dollars unless they elect, through CDP, to receive Singapore Dollars.

- end -

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Full text of the Preliminary Announcement of Results and the Preliminary Financial Statements for the year ended 31st December 2006 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 34 deluxe and first class hotels and resorts worldwide including 14 under development in Hainan Island, Mexico, Barcelona, Boston, Dallas, Chicago, Las Vegas, Macau, Marrakech, Turks and Caicos, Grand Cayman, Guangzhou, Taipei and Paris. The Group has equity interests in many of its properties and net assets of approximately US$1.7 billion as at 31st December 2006. Mandarin Oriental now operates, or has under development, 9,500 rooms in 20 countries with 15 hotels in Asia, 12 in The Americas and seven in Europe and North Africa.

Mandarin Oriental's aim is to be recognized as one of the best 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.

The parent company, Mandarin Oriental International Limited, is incorporated in Bermuda and has its primary listing in London, and further listings in Bermuda and Singapore. 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.